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Foreign Relations of the United States

1944

Volume VII

THE AMERICAN REPUBLICS

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PREFACE

This volume was prepared under the direct supervision of E. Ralph Perkins, formerly Chief of the Foreign Relations Division now headed by S. Everett Gleason. The compilers of the volume were former staff member Almon R. Wright, and David H. Stauffer. They were assisted by Velma Hastings Cassidy.

The Publishing and Reproduction Services Division (Jerome H. Perlmutter, Chief) was responsible for the technical editing of the volume. This function was performed in the Historical Editing Section under the direct supervision of Elizabeth A. Vary, Chief, and Ouida J. Ward, Assistant Chief.

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

SEPTEMBER 20, 1967

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 EMERGENCY ADVISORY COMMITTEE FOR POLITICAL DEFENSE, MEETING AT MONTEVIDEO, URUGUAY [1]

710 Consultation (3)A/485 : Telegram

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

WASHINGTON, January 1, 1944—7 p. m.

4. While the Department understands the desire of the Colombian Government to give careful study to the Montevideo resolution,[2] it appears from your 2413 of December 31, 4 p. m.,[3] that Colombia may be reading into the resolution more than it actually implies.

While the resolution recommends consultation in the case of any new government instituted by force during the emergency period, the fact that the consultation and exchange of information are to be directed exclusively to the question whether the change in government involved a threat to the defense of the Republics concerned, makes it clear that the consultation would be a mere formality, speedily executed through the usual diplomatic channels, where there was no significant evidence that such influences or connections existed. Furthermore, the resolution does not require a joint decision with regard to whether recognition is to be accorded; that decision remains one for the exclusive determination of each government.[4]

The foregoing, and the further fact that all countries other than Brazil and Haiti, have sent or are sending fully favorable responses, is for your information and such use as you think appropriate. Brazil has sent an interim reply that she is studying the resolution carefully and advocates consultation whenever continental interests need protection.

HULL

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[1] Continued from *Foreign Relations*, 1943, vol. v, pp. 2–39.

[2] Resolution XXII of the Emergency Advisory Committee for Political Defense of December 24, 1943. For text of the Resolution, see telegram from the Chairman of the Committee, December 24, 1943, *ibid.*, p. 34; also printed in Emergency Advisory Committee for Political Defense, *Second Annual Report*, July 15, 1943–October 15, 1944 (Montevideo, 1944), p. 79.

[3] Not printed.

[4] For correspondence on the United States recognition of the new Bolivian regime, see pp. 427 ff.

710 Consultation 3A/490 : Telegram

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

MONTEVIDEO, January 1, 1944—8 p. m.
[Received January 2—12:33 a. m.]

2. For Duggan [5] from Spaeth.[6] The suggestions transmitted Department's 640 of December 31 [*30*] [7] were discussed with Guani [8] yesterday. I stressed the limited objectives and stated that Committee would merely furnish mechanism for facilitating the meeting. Because of friction between Guani and Foreign Office, I also emphasized that since Uruguay would be host country, it would be essential that we enjoy the full cooperation of Uruguayan Government. Guani's first reaction was favorable but he asked me to see him again today for his opinion.

He informed me today that he considers proposal to be an appropriate supplementary step to Committee's recommendation and a logical corollary of his own initiative. He stated that it is doubtful whether more than three or four countries would be able to furnish any significant information but he recognizes that it is desirable that all of the Governments possess same information as basis for consultation prior to recognition. Guani added that his opinion as to desirability of meeting was, of course, predicated upon assumption that Uruguay will unqualifiedly approve Committee's resolution on non-recognition.

With reference to opinion of the members of majority, Guani and I agree that we can unquestionably obtain support of Pimental and Arroyo [9] and almost certainly of Armendáriz.[10] For this reason and because Guani is of opinion that he should present matter to Amezaga [11] before it is discussed with Committee, we agreed that it is desirable to postpone conversations with other members of majority. Guani agreed, however, that he would not discuss matter with anyone until I have received Department's response to this report of our discussion. Dawson feels strongly and I concur that the proposal should be presented to the Uruguayan Government at earliest possible moment.

---

[5] Laurence Duggan, Adviser on Political Relations.
[6] Carl Spaeth, American member, Emergency Advisory Committee for Political Defense.
[7] *Foreign Relations*, 1943, vol. v, p. 36.
[8] Alberto Guani, of Uruguay, Chairman of the Emergency Advisory Committee for Political Defense.
[9] Mario de Pimental Brandão and Eduardo Arroyo Lameda, Committee members from Brazil and Venezuela, respectively.
[10] Mariano Armendáriz del Castillo, Committee member from Mexico.
[11] Juan José Amezaga, President of Uruguay.

If it is decided to call the meeting, one of the following procedures could be adopted, after the key countries and Uruguayan Government have been consulted and their agreement obtained:

(*a*) Committee could take initiative and approve a resolution which, after appropriate recitals specifically indicating the special and restricted purpose of the meeting as stated in cable under reference and possibly referring to Resolution IX,[12] would recommend that the meeting be held during January and that Uruguayan Government invite governments of the interested countries; (*b*) The United States or one of the key countries could recommend that Committee call the meeting as above.

. . . . . .

[Spaeth]
DAWSON

824.01/167 : Telegram

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

LA PAZ, January 3, 1944—10 p. m.
[Received January 4—1:15 a. m.]

26. La Paz papers today printed the full text of the Bolivian note of protest delivered to Guani. The note, text and translation [13] of which are being transmitted by pouch, states that the Committee in seeking to consider matters such as the recognition of governments, exceeds its authority and goes beyond the scope of activities for which it was originally created. It insists that the matter of recognition is purely an individual matter for each country to decide independently. The important thing in any case, according to the note, is to win the war, and the delays occasioned by the Montevideo discussions can only tend to limit Bolivia's contribution temporarily and therefore interfere with the war effort.

BOAL

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710 Consultation (3)A/456 : Telegram

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

WASHINGTON, January 4, 1944—3 p. m.

4. For the Ambassador and Spaeth. Upon further consideration, the Department is of the opinion that it would be undesirable to effect the exchange of information at a meeting, as suggested in Depart-

[12] Resolution IX concerned informal meetings of national officials charged with the execution of laws and regulations against subversive activities. For text, see Emergency Advisory Committee for Political Defense, *Annual Report*, July 1943 (Montevideo, 1943), p. 280.

[13] Not printed.

ment's 640 of December 30.[14] Among the objections which the Department has received from or observed in various interested quarters are the following:

1. It would consume considerable time to inaugurate the meeting, whereas most governments are now prepared to engage in the exchange of information and some are already doing so. Further delay appears dangerous.
2. Despite the most careful efforts to establish the limited purposes of the meeting, strong suspicions would exist that it was for purposes of consultation or decision regarding recognition or would be converted to such purposes. In some countries the Committee's resolution has already given rise to fears based upon sovereignty considerations.
3. Certain smaller countries probably would be unable to be represented, but can be reached promptly and effectively through regular diplomatic channels.

Hence, the Department is of the opinion that the better procedure is to effect the exchange of information through the regular diplomatic channels. It is prepared to circularize its information immediately to all the missions, for delivery to the respective Foreign Ministers for their strictly confidential information and believes that other governments principally concerned are similarly situated.

The Department believes, however, that it would be most helpful in this connection if the Committee would adopt a further resolution to the effect that new developments indicate that its resolution of December 24 is applicable to the Bolivian change in government, and recommending that the governments concerned promptly exchange information and consult with one another through their regular diplomatic channels for the purposes stated in the December 24 resolution. Such further action by the Committee would appear necessary to set the stage for the exchange of information and otherwise put the resolution of December 24 into operation with important multilateral sanction.

The Department recognizes that the foregoing may be a disappointment to Dr. Guani and to Spaeth. You may rest assured and should impress upon Dr. Guani that the foregoing in no sense detracts from the Department's deep appreciation of and respect for the leadership and initiative he has demonstrated in this matter as has Spaeth. That leadership and initiative, shared also by other Committee members, have resulted in considerably enhancing the prestige of the whole Committee.

In discussing the revised procedure with Dr. Guani, please make clear to him our opinion that there is great urgency in reaching an immediate agreement upon the procedure for carrying out the December

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[14] *Foreign Relations*, 1943, vol. v, p. 36.

24 resolution, and that the Committee offers the most effective means of precipitating agreement upon and implementation of that procedure by all interested governments. We hope, therefore, that the Committee will immediately adopt the further resolution earlier described, and communicate it by telegram to the 19 governments involved.

HULL

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710 Consultation 3A/521 : Telegram

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

MONTEVIDEO, January 5, 1944—9 p. m.
[Received 9:40 p. m.]

23. For Duggan from Spaeth. With further reference to our cable 22, 5th,[15] both resolution and summary of replies were approved unanimously although Chilean member [16] initially opposed resolution and sought to delay action, informing me privately that he wanted time to consult his Government. Argentine [17] was absent. [Spaeth.]

DAWSON

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710 Consultation 3A/542 : Telegram

The Chairman of the Emergency Advisory Committee for Political Defense (Guani) to the Secretary of State

[Translation]

MONTEVIDEO, [undated].
[Received January 6, 1944—12:28 p. m.]

I take pleasure in communicating to Your Excellency that at a plenary session today Committee over which I have the honor to preside decided to acknowledge receipt courteous telegram of Your Excellency dated December 27, 1943,[18] which expresses that United States approves warmly resolution; and to advise you extract replies received up to date from the American Chancelleries. Brazil informs that it is and has been in favor of previous consultation between American Governments whenever there may be continental interests to safeguard and will carefully study recommendation; Colombia states that that extremely important initiative is the subject of the most attentive study on the part of the government; Costa Rica accepts

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[15] Not printed.
[16] Alfredo Rodríguez MacIver.
[17] The Argentine member of the Committee was Guillermo de Achával.
[18] For text, see *Foreign Relations*, 1943, vol. v, p. 35, or *Second Annual Report*, p. 88.

fully recommendation transmitted December 24, 1943; Cuba expresses approval of said resolution; Chile communicates that it has been in contact at every moment with the other Chancelleries, and has maintained an interchange of information for the purpose of contributing to safeguarding interests to which recommendation refers; Dominican Republic states [that] [20] it identifies itself with proposals recommendation and is in a position to interchange information tending to consultation concerning any new government constituted by force in America; El Salvador is in agreement and adheres thereto; Guatemala is in agreement with criterion expressed in resolution; Honduras expresses assent to recommendation; Mexico states that her attitude coincides with spirit of recommendation and that government is in agreement to participate consultations and interchange of information; Nicaragua accepts recommendation with pleasure, offering to carry it out in each and every one of its parts; Paraguay accepts recommendation; Peru states that it will not proceed to recognize a new government constituted by force, without previous consultation; Uruguay finds no objection to adhering to the view advocated by this committee, and Venezuela receives the initiative with sympathy; further I wish to state to Your Excellency that this Committee has seen with the greatest satisfaction that some governments have included in their replies considerations concerning the nature and scope of [somewhat garbled here] recommendation that they reiterate the proposals contained implicitly or explicitly therein, of which at no moment this Committee has lost sight, such as that the proceeding advised of consultation and interchange of information previous to recognition preserves the free decision of each government expressed by means of its competent constitutional organs; that it will have an application limited as is stated in its text to the duration of the present armed conflict; and that it constitutes a generalization for the entire continent of practices usual between neighboring or directly interested countries in the recognition of a new government, motivated by the solidarity established by the Pan American engagements for the defense of the hemisphere.

I have the honor to communicate to you furthermore that by the air route I am sending complete texts [of] replies received.[21]

With distinguished consideration for Your Excellency,

ALBERTO GUANI

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[20] Brackets throughout this telegram appear in the file translation.

[21] Not printed.

710 Consultation 3A/549 : Telegram

The Chairman of the Emergency Advisory Committee for Political Defense (Guani) to the Secretary of State

[Translation]

MONTEVIDEO, [undated].
[Received January 7, 1944—8:52 a. m.]

I have the honor to supplement my communication of yesterday by informing Your Excellency that the Governments of Haiti and Ecuador have replied to recommendation XXII [22] of the Committee of Political Defense; thus replies have been received from all the governments concerned. Ecuador states that it has consulted and will continue to consult in the cases indicated and Haiti formally adheres to the recommendation formulated.

With high and distinguished consideration,

ALBERTO GUANI

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710 Consultation 3A/541 : Telegram

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

BUENOS AIRES, January 7, 1944—11 a. m.
[Received 11:35 a. m.]

44. Reference Rio's 33, January 4, 11 p. m.[23] We agree fully with . . . estimate of Sanguinetti [24] but have had no intimation that his appointment is under consideration. On the contrary our information is to effect that Argentine Government piqued over exclusion from Committee's recent notification and Committee's refusal to furnish it confidential information distributed to other Governments is holding appointment of successor Trachaval [*Achával*] in abeyance even though it realizes continued delay may result in Argentina's place on the Committee being filled by another country.

Repeated to Rio, Santiago, Lima, La Paz, Montevideo, Asunción.

ARMOUR

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710 Consultation 3A/611 : Telegram

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

MONTEVIDEO, January 29, 1944.
[Received January 29—12:55 p. m.]

127. For Knapp [25] from Spaeth. Yesterday Committee sent cable to Argentina expressing satisfaction decision to break,[26] noting de-

[22] See footnote 2, p. 1.
[23] Not printed.
[24] Gen. Juan Carlos Sanguinetti.
[25] Laurence A. Knapp, Liaison Officer between the United States and the Committee, and Special Assistant to the Attorney General of the United States.
[26] For correspondence indicating United States interest in the break of diplomatic relations between Argentina and the Axis, see pp. 228 ff.

cision was taken because proof espionage activities undermining national sovereignty and continental security and expressing Committee's desire collaborate with Argentina in study measures common defense Continent against Axis political aggression. [Spaeth.]

DAWSON

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710 Consultation 3A/618a : Telegram

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

WASHINGTON, February 2, 1944—10 p. m.

196. Spaeth advises Committee for Political Defense intends to submit promptly to Argentina a memorandum, based on consultative visit in Buenos Aires [28] last spring and other information of Committee, describing political defense measures necessary for adequate implementation of break in relations and of detailed security programs recommended by Committee. Spaeth desires suggestions of Department regarding subjects meriting inclusion or emphasis.

If you see no objection in principle to proposed Committee action, which accords with its general practice, Spaeth will be instructed to clear directly with and be closely guided by you regarding form, content, and time of submission of memorandum, and thereafter to clear with Department the substance of the memorandum as finally agreed upon. Please advise.

HULL

---

710 Consultation 3A/619 : Telegram

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

BUENOS AIRES, February 3, 1944—6 p. m.
[Received 9 p. m.]

318. Department's 196, February 2, 10 p. m. My first feeling with regard to proposed action by Political Defense Committee is that it would be premature to submit memorandum at this time. In first place Foreign Office particularly Gilbert [29] are undoubtedly still smarting under what they consider snub administered by Defense Committee in withholding confidential information from their delegate followed by virtual exclusion of Argentina from Bolivian investigation. I am not aware of present status of Argentina's representation on Defense Committee but perhaps if arrangements for appointment of successor to Achával could be made and right man were chosen this might offer connecting link for Committee to get across its ideas informally to Argentine Government.

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[28] For correspondence concerning the Committee's program of consultative visits, see *Foreign Relations*, 1943, vol. v, pp. 12–23 *passim*.

[29] Gen. Alberto Gilbert, Minister for Foreign Affairs.

Foreign Minister has volunteered that he is determined to take all measures necessary for full implementation of break in relations. They have I think made a fairly good beginning and I am in favor of giving them chance to show what they will do on their own with such assistance as we can give them based on directives already received from Department. Gilbert has thus far been receptive to such suggestions.

My fear is that if Defense Committee were now to submit memorandum along lines suggested, Government here might react unfavorably even to extent of withholding action we hope they are now contemplating through fear it might be interpreted as taken under pressure of Defense Committee.

If Spaeth could conveniently come over to Buenos Aires, we could perhaps discuss this matter more fully.[30]

Repeated to Montevideo.

ARMOUR

---

710 Consultation 3A/652a : Telegram

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

WASHINGTON, February 28, 1944—2 p. m.

113. For Sanders[31] from Spaeth. This Government is communicating to the other interested republics its preliminary view that the recent changes in the Argentine Government[32] may well have been effected through the use of force and that, therefore, the procedure of consultation and exchange of information envisaged in Committee Resolution XXII should take place.

You should so inform Dr. Guani in the strictest confidence, and simultaneously express to him our keen desire that the situation remain completely in *status quo* pending the determination of the reactions of the various governments to this initiative on our part. You may assure him that we will continue to keep him fully informed concerning further pertinent developments. [Spaeth.]

STETTINIUS

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[30] By telegram 212, February 4, 1944, 11 p.m., the Department informed Ambassador Armour that Spaeth was advised to confer with him in Buenos Aires (710 Consultation 3A/619).

[31] William Sanders, Technical Consultant on the Staff of the Emergency Advisory Committee for Political Defense.

[32] For correspondence on the withholding of recognition of the Farrell regime in Argentina by the United States, see pp. 252 ff.

710 Consultation 3A/658 : Telegram

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

MONTEVIDEO, March 6, 1944—2 p. m.
[Received 4:45 p. m.]

244. For Spaeth from Sanders. Pursuant to Department's 128 March 4,[33] Acting Secretary's statement [34] was read in translation to Dr. Guani.

Dr. Guani stated he was deeply concerned but not surprised by Chilean attitude [35] which he considers as serious in its implications as is the Argentine situation. In his opinion present move by Fernández [36] confirms once again that break of relations by Chile has never had more that [*than*] purely formal significance and that Government is still essentially neutral. Guani also considers that Chilean decision is a violation of the spirit if not the letter of Resolution XXII.

He also stated that he had been studying the Chilean statement in relation to Resolution XXII to determine what action the Committee could take and that perhaps it might be opportune for Committee itself to point out that Resolution envisages there shall be no unilateral decisions until the exchange of information and consultations among Governments have been completed. He is also considering whether the Committee might not point out by way of an interpretive statement or resolution and without specific reference to the Argentine case, that basic issue under Resolution XXII is not whether there has been a technical change of Government in a given instance but whether the new group in control of governmental power is complying and will continue to comply with Inter-American defense commitments. In his view this would place desired emphasis on international aspect of the problem as issue of recognition or non-recognition would be raised not by whether there is true delegation of power, use of force or any other internal question but by continental security considerations of collective concern to all the republics. [Sanders.]

DAWSON

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710 Consultation 3A/665 : Telegram

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

MONTEVIDEO, March 13, 1944—8 p. m.
[Received 8:18 p. m.]

274. For Spaeth from Sanders. In view of fact that Ramírez' letter of resignation shows that he was forced out of office by group

[33] Not printed.
[34] Department of State *Bulletin*, March 4, 1944, p. 225.
[35] This refers to the recognition by Chile of the assumption of power in Argentina by Gen. Edelmiro Farrell.
[36] Joaquín Fernández Fernández, Chilean Minister for Foreign Affairs.

which was opposed to his breaking relations and which may alienate Argentina from its recently adopted anti-Axis stand, Guani suggests that Committee approve recommendation similar to Resolution XXIII,[37] reciting applicability of Resolution XXII and recommending procedure there envisaged.

He feels that such a resolution, making clear the implications in Ramírez' letter:

(*a*) Would help to elicit answers similar in effect to Under Secretary's statement from countries which up to now have remained silent and would thus emphasize inter-American approach to Argentine situation in its new phase, and

(*b*) Might offer convenient basis for Chile and Paraguay to adopt new position.

Guani is also concerned because present silence of Committee, after strong action in Bolivian case, is being construed as sign of weakness.

He recognizes above move would depend on authenticity of Ramírez' letter. He has not yet discussed his views with other members. [Sanders.]

DAWSON

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710 Consultation 3(A)/681a : Telegram

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

WASHINGTON, March 17, 1944—8 p. m

158. For Sanders from Spaeth. Reference Department's 113 of February 28, 2 p. m. The Department appreciates the importance Dr. Guani attaches to the Argentine situation as a matter of hemispheric concern. The Department began consultations on that basis and was gratified that its action was favorably viewed by Dr. Guani.

As a result of the consultations so inaugurated, seven of the American republics (as well as Great Britain and Canada) have publicly announced that they are abstaining from normal diplomatic relations with the Farrell regime. Excluding Chile and Paraguay, the remaining participating republics are following that course in fact, although they are disinclined for varying reasons so to state publicly. However, their reluctance to issue a statement does not appear to imply any tendency toward present defection.

In these circumstances, it would seem that a Committee resolution to invoke consultations under Resolution XXII would be anticlimactic, both for the Committee and the governments, in view of the advanced stage of the consultations already undertaken. It is equally questionable that it would assist in eliciting more statements. Moreover, such a resolution would accent the isolated positions already as-

[37] Resolution XXIII dealt with the recognition of the government established in Bolivia on December 20, 1943; for text, see *Second Annual Report*, p. 92.

sumed by Chile and Paraguay and probably militate against rather than toward their realignment. These views are apart from the substantial question whether the Ramírez resignation was the result of force within the meaning of Resolution XX.[39]

While, therefore, the Department doubts the suitability of a Committee resolution as an effective approach, it agrees that careful consideration must be given to alternative methods of treating the underlying problems in inter-American fashion. The Department will want to continue to receive Dr. Guani's counsel in this regard, as developments occur.

Please convey the sense of the foregoing to him. [Spaeth.]

HULL

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710 Consultation 3(A)/766: Telegram

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

MONTEVIDEO, May 25, 1944—6 p. m.
[Received 7:10 p. m.]

482. For Knapp from Sanders. Translation of Department's cable No. 294 of May 24[40] was read to Dr. Guani today, who expressed his deep appreciation.

He again expressed his conviction that the Committee should play some part either before, during or after a decision with respect to Bolivia.[41] He stressed that because the Committee is generally regarded as having initiated the move towards nonrecognition, it would be placed in a most unfavorable light if it were not given the opportunity either to participate in some phase of the recognition. He suggested that, without prejudice to further consideration of the proposals contained in his letter of April 27,[42] it would not seem inappropriate for the Governments to inform the Committee officially of their respective decisions in order that it could then issue a statement expressing its pleasure over developments which permitted Bolivia to join fully with her sister republics in the common effort against the enemy. [Sanders.]

DAWSON

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[39] This resolution dealt with the detention and expulsion of dangerous criminals; for text, see *Annual Report*, p. 73.

[40] Not printed.

[41] The Committee approved a resolution on June 23, 1944, expressing pleasure and satisfaction that the application of inter-American procedures of consultation preceded and resulted in the recognition of the Bolivian Government.

[42] Not found in Department files.

710 Consultation 3(A)/739 : Telegram

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

MONTEVIDEO, May 31, 1944—8 p. m.
[Received 9:30 p. m.]

496. For Knapp from Sanders. At meeting this morning with all members present except the Chilean who is seriously ill, Committee unanimously approved resolution transmitted in Department's cable No. 304 of May 27.[43]

[Here follows a short account of minor changes made in the draft.]

Mexican member at first proposed but later withdrew motion that final vote be postponed in order to consider possibility of broadening formula to include individuals who do not presently possess documents mentioned therein. Initial doubts expressed by some members regarding responsibility of governments for persons released were set at rest by my oral explanation based on last cable under reference.[44]

Committee also approved Argentine memorandum in form sent Department May 26.[45] Chiappe[46] abstained from voting on ground that memorandum contains recommendations to his own Government. He read a short statement in which he referred to recognition given in memorandum to Argentina's efforts to combat espionage and other activities contrary to its security and that of the other Republics and added that some of suggestions have already been placed in effect since consultative visit. He also stated that "My Government will study the recommendations contained in the report with the best of good will and, within the pertinent constitutional and legal limitations, will seek to give the greatest effectiveness to measures designed to safeguard its own security and that of other American Republics".

In all Committee matters Chiappe has recently been striving to create impression of Argentina's complete cooperation with Committee as well as with other Republics. [Sanders.]

DAWSON

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710 Consultation 3(A)/739 : Telegram

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

WASHINGTON, June 2, 1944—7 p. m.

317. For Sanders from Knapp. In view of keen interest in many quarters, I suggest desirability of brief press release concerning adop-

[43] Not printed; this cable contained a draft resolution to encourage facilities for aiding refugees from German persecution (710 Consultation 3(A)/741a). For correspondence on governmental assistance to persons forced to emigrate for political or racial reasons, see vol. I, pp. 981 ff.

[44] Telegram 307, May 30, 1944, to Montevideo, not printed.

[45] Not found in Department files.

[46] Miguel A. Chiappe, of Argentina.

tion of refugee exchange resolution, reference your 496, May 31, 8 p. m. Its main theme might be that Committee's attention has been directed by various reports to existence and straitened circumstances of this particular refugee group in Europe and desirability of aiding their release; that the problem concerns American Republics both by reason of documentation held [47] and because Germans in this Hemisphere constitute principal pool to draw from in seeking release by exchange; and that, accordingly, having considered both the humanitarian and security considerations involved, Committee has concluded, in a recommendation sent to all American Republics, that arrangements should be sought on coordinated basis and under appropriate security safeguards for release of such persons in exchange for German nationals from the American Republics.

Please transmit through Embassy English copies of resolution to all American missions immediately, giving Department by cable data identifying your covering communications. Likewise cable exact changes made from draft resolution.[48] [Knapp.]

HULL

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710 Consultation 3(A)/742 : Telegram

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

MONTEVIDEO, June 5, 1944—6 p. m.
[Received 7:13 p. m.]

514. For Spaeth and Knapp from Sanders. Guani today expressed to me his deep concern over developments in the Argentine situation. He believes that public opinion in Argentina is being gradually and skillfully hardened against Uruguay and the other Republics and he sees developments which deeply affect Uruguayan security and reflect tendencies which will operate to an increasing extent against a solution consonant with the best interests of the continent. He considers that this situation is favored by "present passive policy" and that steps should be taken either for: (1) Immediate recognition, (2) recognition upon fulfillment of certain conditions, or (3) adoption of definite program of pressure.

Guani considers that Argentine reply to Committee's follow-up memorandum [49] could offer basis for recognition in line with second

[47] Many refugees held passports from some American Republic.

[48] For text of Resolution XXIV, Exchange of Persons Between the American Republics and Germany, as passed on May 31, 1944, see *Second Annual Report*, p. 93.

[49] The substance of this memorandum appears to have been indicated in airgram A–87, from Montevideo, dated February 19, 1944, 11 a. m., in which it was recommended that Argentina more vigorously apply a policy of registering aliens, detaining Axis nationals, cancelling Axis naturalizations, restricting travel, fixing entry points, tightening censorship, etc. (710 Consultation 3A/646).

alternative. He believes that he is in position, working informally through friends in Argentina and here, to make it certain that the reply contains unequivocal assurances on all necessary points. To prevent Argentine Government from taking advantage of opportunity to make another meaningless step, adoption, prior to transmission of reply, of implementing decrees on more important points covered by memo would be required. This step would not only be an earnest of intention but also a test of strength to put through program against opposition by extreme Nationalists. CPD [50] would serve only as intermediary and would submit the reply to the other Governments without recommendations of any kind.

Guani stresses urgent need for a preliminary step toward a break in the "present impasse", to be taken preferably by an intermediary representative of collective interest. I am of opinion Guani has lately been approached by certain Argentine elements including perhaps Quintana [51] in above sense. He assures me . . . that his conversation with me at this stage is of a purely personal character.

In considering Guani's proposal, it looks to me that Argentine reply to Committee's memo might reflect results of conversations between Armour and Peluffo,[52] in event these are satisfactory. Reply would then offer opportunity for consultations leading to collective solution on basis satisfactory to Department and would render unnecessary Guani's personal participation.

For Spaeth from Dawson. I recognize that Argentine reply to Committee's memo might be used to advantage in working out a solution as suggested by Guani. However, it would seem that Guani's personal interventi[on as] informal intermediary would not be essential. . . .

Repeated to Buenos Aires. [Sanders.]

DAWSON

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710 Consultation (3)A/746b : Telegram

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

WASHINGTON, June 8, 1944—8 p. m.

330. For Sanders from Knapp. Press statement issued by Department June 6 [53], the date agreed upon for Ecuadoran recognition [54] by most republics, stated that our decision followed after consultations

[50] Committee for Political Defense.
[51] Carlos Quintana, Argentine Ambassador to Uruguay.
[52] Gen. Orlando Lorenzo Peluffo, Argentine Minister for Foreign Affairs.
[53] Department of State *Bulletin*, June 10, 1944, p. 536.
[54] For correspondence on the recognition of the new Government in Ecuador by the United States, see pp. 1036 ff.

among the republics concerned, in compliance with Resolution XXII, and that we were informing the Committee of our decision. Please so advise Dr. Guani. You may also inform him that we authorized suggestions to the other countries that they notify the Committee of their action, which some have already indicated they propose to do. [Knapp.]

STETTINIUS

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710 Consultation (3)A/748 : Telegram

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

MONTEVIDEO, June 12, 1944—7 p. m.
[Received 9:40 p. m.]

549. Sanders sends following for Spaeth and Knapp. Guani informed me this afternoon that Aron Anchorena with whom he had conversation last week in presence of Quintana requested him to receive Huberto F. Vignart who informed him today that Perón, Perlinger [55] and Peluffo had expressed desire to discuss present situation with Chairman of Committee for Political Defense. Vignart told Guani that at dinner given by him on Saturday as President of Jockey Club of La Plata he had referred to said conversation between Guani and Anchorena and that Perón indicated knowledge thereof and stated he would like opportunity himself for personal talk with Guani. Perlinger and Peluffo thereupon expressed same desire and it was suggested that joint meeting could be held outside Argentina.

Vignart desired an immediate answer but Guani stated that he must first consult Committee. He assured me that he would not answer Vignart before word is received from Department and that he would not discuss matter with other Committee members. Guani wishes it clearly understood he has not initiated these conversations. He reiterated, however, his opinion that, provided such a course is consonant with Department's policy, Argentine memorandum could serve as a basis for preliminary understanding on recognition with whatever additional conditions the Department would desire to formulate. See in this connection my cable of June 5 Embassy's 514.

Guani has informed President Amezaga who sees no objection to interview. At Guani's instance he will not mention matter to anyone.

Vignart is former Argentine Deputy and Senator and appears to be well known in Uruguay.

Repeated to Buenos Aires. [Sanders.]

DAWSON

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[55] Brig. Gen. Luis César Perlinger, Argentine Minister of the Interior.

710 Consultation (3)A/752 : Telegram

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

MONTEVIDEO, June 13, 1944—4 p. m.
[Received 4:30 p. m.]

553. For Knapp from Sanders. Cuba, Dominican Republic, El Salvador, Nicaragua and Paraguay notified Committee that they have recognized the Velazco Ibarra government [56] after consultation pursuant to Resolution XXII. In addition to information conveyed to Guani personally pursuant to Department's 330, of June 30 [*8*], I suggest that official notification of United States recognition be sent direct to Committee.[57] [Sanders.]

DAWSON

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710 Consultation (3)A/758c : Airgram

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

WASHINGTON, June 16, 1944—6:20 p. m.

A–589. The following instruction has been sent to the American Embassies in certain of the other American republics:

"In support of the program of the Department and the War Refugee Board which has been the subject of instructions by airgram to the Embassies in various of the American republics, the Emergency Advisory Committee for Political Defense at Montevideo on May 31, 1944 adopted upon the recommendation of the United States member a resolution [58] favoring, subject to essential reservations regarding security, the exchange of German nationals in this Hemisphere against certain persons belonging to the oppressed peoples of Europe who bear documents issued by or in the name of the American republics or other non-European states reflecting a right of admission to or protection by such republics or states.

"The Department feels that it is essential to proceed as quickly as possible with the presentation to the German Government of concrete proposals based upon the Resolution in question and hopes that the government to which you are accredited, which has presumably by this time received official notification of the Resolution from the Committee, will be willing to join in this common program with the other American republics and this Government. The Department will be glad to learn of any initiative taken by the government to which you are accredited to implement this desirable step in strengthening the common front against the Axis.

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[56] José María Velasco Ibarra was a successful presidential candidate of the Ecuadoran Alianza Democrática Ecuatoriana Party.

[57] In reply the Department suggested that if a further notification were necessary, then the Embassy should communicate the substance of instruction 330 of June 8 to the Foreign Office.

[58] For telegram to the President of the Emergency Advisory Committee for Political Defense, June 17, 1944, on the position of the United States with respect to this solution, see vol. I, p. 1073.

"A suggested translation of the Resolution was sent you on June 3 under cover of a letter signed by Mr. Sanders,[59] the representative of the United States on the Emergency Advisory Committee for Political Defense. The Department is sending you in the near future a copy of the official translation of this document. There will also be sent you in the near future an instruction outlining certain points of action in respect to the program on which your report is desired."

HULL

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710 Consultation (3)A/763a : Telegram

The Secretary of State to the Chairman of the Emergency Advisory Committee for Political Defense (Guani)

WASHINGTON, June 23, 1944.

I desire to inform you and your colleagues on the Committee for Political Defense that my Government is today extending recognition to the Bolivian Government headed by Major Gualberto Villarroel,[60] following upon full consultations with the other interested governments in accordance with Resolutions XXII and XXIII of your Committee.

I reiterate to you and to your distinguished colleagues the assurances of my highest consideration.

CORDELL HULL

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710 Consultation (3)A/8–444 : Telegram

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

MONTEVIDEO, August 4, 1944—10 a. m.
[Received 11:30 a. m.]

747. From Sanders for Spaeth. Recently members of Committee have of their own accord mentioned to me desirability of removing Argentine member. Armendáriz stated that it is evident from Department's statement of July 26 [61] that Argentine break of relations has not changed situation which led to Committee action last December [62] and that Argentina's stand has deprived her of right to name member. Arroyo is of same opinion and from remarks made by adviser to Goes Monteiro [63] I am satisfied latter shares this view. I have

[59] For instructions to Mr. Sanders to transmit English copies of the Resolution (XXIV), see final paragraph of telegram 317, June 2, to Montevideo, p. 13.

[60] For the text of the instruction to La Paz to recognize the Villarroel regime, see p. 469.

[61] Department of State *Bulletin*, July 30, 1944, p. 107.

[62] This refers to Resolution XXII, approved December 24, 1943, which concerns the non-recognition of new governments established by force. For an explanation and text of the Resolution, see *Second Annual Report*, pp. 14–20 and p. 79.

[63] Pedro Aurelio de Goes Monteiro, who succeeded Pimental Brandão as Brazilian member of the Committee.

not discussed matter with Guani, but am confident he would support such a move.

This step at present time, if consistent with Department's program, would be effective in accentuating Argentina's isolation.

With respect to procedure perhaps, could send communication to the 20 Governments and to Union [64] concluding that, in view of policy of Argentine Government and of insistence of member appointed by it that he is "delegate" of his country, Argentina may desire to be relieved of responsibility of maintaining a member of a body which, because of express limitations of its charter, cannot represent said government or act on its behalf pursuant to article II Regulations.[65]

This might provoke Argentine withdrawal from Committee. If not problem of expulsion could then be resolved through Union perhaps by reorganization of Committee. [Sanders.]

DAWSON

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710 Consultation (3) A/8–744 : Telegram

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

WASHINGTON, August 11, 1944—6 p. m.

468. For Sanders. ReEmbs 747 of August 4 and 758 of August 7.[66] Department is giving serious consideration to your proposal relative to Argentine membership on the Committee. Please cable draft of communication which you propose to send to governments and to the Union. It is assumed that you will stress the representative character of the Committee and the inability of the Argentine member to give expression to the policies of the other Republics.

Because of nature of proposal it is desirable that Committee be assured in advance of support of at least those republics which have designated members. In view of Aranha's agreement with Goes Monteiro it is suggested that you discreetly indicate that it would be helpful if the members designated by Venezuela and Mexico would sound out their governments on the idea.

At the same time you should discuss the proposal with Guani, and . . . you should consult with Ambassador Dawson with regard to the probable attitude of Uruguay toward such a Committee initiative.

Please advise the Department as to the probable attitude of the member designated by Chile.

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[64] Pan American Union.

[65] The members of the Committee were regarded as representing the whole of the American Republics, and not the individual countries from which they came. For text of article II of Regulations, see *Annual Report*, July 1943, p. 268.

[66] Latter not printed.

It is of course highly important that this matter be handled with great delicacy and in confidence.

STETTINIUS

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710 Consultation (3) A/8–1544 : Telegram

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

MONTEVIDEO, August 15, 1944—10 a. m.
[Received 8:30 p. m.]

771. Watkins, Spaeth from Sanders. The following is draft of communication to Federation and Union relative Argentine membership:

"My dear Mr. Secretary: I have the honor to inform Your Excellency that at the regular meeting of the International Congress the Emergency Advisory Committee for Political Defense resolved to transmit following communication to the Governments of the American Republics and the Pan American Union.

A difficult problem has arisen which affects the basic principles of the organization and the objectives of the Emergency Advisory Committee for Political Defense and which the Committee therefore considers should be submitted to the governments which created it and to [the] Pan American Union for their information and whatever decision may be deemed appropriate.

As clearly and specifically set forth in Resolution XVII of the Third Meeting of the Ministers of Foreign Affairs of the American Republics,[68] the sole and exclusive purpose for which the Committee was created is that of advising Governments of the twenty-one American Republics in the realization of an effective political defense against the Axis aggressors, Germany, Japan, Italy and their satellites. This Resolution, which constitutes the basic charter of the Committee, was approved unanimously and without reservations by the twenty-one American Governments and express[es] the will of American Republics to adopt every means to combat effectively, individually and collectively the political and military attack of the said aggressor states.

The Regulations of the Committee as prepared by the Pan American Union and likewise approved unanimously by all the Republics, specifically incorporate the above mentioned Resolution stating that it 'defines the scope and purpose of the Committee'.

Of equal importance with the controlling policy directives contained in Resolution XVII is the following principle of the Committee's organization, defined in article II of the Regulations: insert text of article II of Regulations.[69]

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[68] For text of Resolution XVII, see *Annual Report*, July 1943, p. 259.
[69] *Ibid.*, p. 268.

With respect to this article the Committee understands that the principle of representation therein formulated is a necessary consequence of its character as an international body of limited membership which has a task of advising the twenty-one Governments on the implementation of a general policy to which all the said governments are committed. In all its deliberations and decisions the Committee has fully recognized the implications of this fact, namely that it has an obligation to act in the name and in the interest of the twenty-one Republics, without distinction of any kind, and that in order to achieve this impartiality of representation it must be guided exclusively by the [policy] directives approved by the Ministers of Foreign Affairs at Rio de Janeiro. It follows that the members of the Committee are not mere agents or delegates of the designating governments but must represent, in fact as well as in theory, all of the Republics equally.

The member appointed by the Government of the Argentine Republic has, however, found it impossible to support the policy directives of Resolution XVII and consequently to act as the representative of the collective interest of the Continent which they define. In view of the basic divergence between these directives and the attitude of the Argentine Government with respect to the present world conflict, the said member has found it necessary to consider himself the 'delegate' of the country which named him and therefore compelled to reflect that attitude. He has as a consequence considered himself bound to oppose or unable to favor measures directed against some Axis aggressors and their nationals by which the Committee has sought to implement the declared policy of the American Republics.

Likewise, in view of the said attitude of the Government of the Argentine Republic, the Committee has found it impossible to represent and function, pursuant to its controlling policy directives, article II of its Regulations, on behalf and in the interest of the Argentine Government with reference to the concept of national and continental interest reflected in that attitude.

The Committee expected that the severance of relations with the Axis by the Argentine Republic would enable the member designated by that Government to join fully and without qualifications in the work of his colleagues. However, this has not been the case. The previous situation has not changed. Indeed, because of the inability of the member designated by the Argentine Government to participate in its work and his consequent absence from its sessions, the Committee is, in fact, now operating as an organization of six members rather than of seven as created by the Ministers of Foreign Affairs at Rio de Janeiro.

In view of the anomalous situation described in the present communication the Committee has resolved to call the attention of the Governments of the American Republics and of the Pan American Union to the problem and to suggest that the Argentine Republic may desire to be relieved of the responsibility of maintaining a member on this Committee.["]

[Sanders]
DAWSON

710 Consultation 3A/8–3044 : Telegram

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

MONTEVIDEO, August 30, 1944—6 p. m.
[Received 8:35 p. m.]

822. Following is text of revised final paragraph of proposed communication transmitted by Embassy's telegram 771, August 15.

"In view of the anomalous situation described in the present communication, the Committee has resolved to call the attention of the Governments of the American Republics and of the Pan American Union to the problem. It has likewise resolved to suggest that steps be taken to terminate the division existing within the Committee as a consequence of the above-mentioned fundamental divergence on policy, taking into account that the repeated absence from its sessions of the member designated by the Argentine Government has, in fact, created a vacancy in the Committee."

DAWSON

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710 Consultation (3)A/8–3044 : Telegram

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

WASHINGTON, September 2, 1944—5 p. m.

504. For Sanders. Reference Embassy's 823 of August 30.[70] The Department agrees with the proposed Committee action on the membership problem. It is assumed that the initiative will be taken by some other member of the Committee than yourself. If you find it necessary to participate in the initiative, it is recommended that you do so as a member of a subcommittee.

The draft of communication as transmitted in Embassy's 771 of August 15, and revised by Embassy's 822 of August 30, effectively states the compelling reasons for immediate Committee action and would seem to justify Guani's suggestion on future invitations.

You will of course do everything possible to guard against publicity.

HULL

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710 Consultation (3)A/9–644 : Telegram

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

MONTEVIDEO, September 6, 1944—3 p. m.
[Received 8:55 p. m.]

838. From Sanders for Spaeth. At meeting yesterday Chilean member absent, Committee by vote of five to one approved communication on membership problem substantially as transmitted in Embassy's 771, August 15; 775, August 16; 823, August 30.[71] It is being

[70] Not printed.
[71] Telegrams 775 and 823 not printed.

transmitted by airmail to Governments and Union today. Text of final paragraph being sent in separate cable and full text in pouch.[72]

Chiappe sought to prevent action by arguing that Argentina had complied with all her international commitments; that she was cooperating fully with Committee and that perhaps through his negligence Committee was unaware of great extent to which his country had adopted its recommendations; that its defense structure was superior to that of many other republics; that continental unity would be seriously prejudiced by this additional attempt to isolate her and that if Committee had any complaint to make it should address it only to Argentine Government.

Goes Monteiro carried burden of discussion with Chiappe, but other members also took active part in discussion of issues involved. However, Guani, Armendáriz and Arroyo, seeing possibility that Committee might be instrumental in solving entire Argentine problem and apparently impressed by Chiappe's statement that all his Government wanted was opportunity to cooperate fully in support of American solidarity, suggested privately to me during session that communication be sent in first instance only to Argentine Government to give it an opportunity to make some statement which Committee could send to other Governments.

On my suggestion this possibility was not discussed in meeting. However, in voting in favor of communication Guani expressed hope that before sending it to Governments something might occur which would enable Committee to transmit a more satisfactory document. In conversations with Guani, Armendáriz and Arroyo after the session it became evident that they expected Guani to delay transmission of communication in order that Chiappe might make effort to elicit statement of type mentioned above from his Government.

In individual conversations yesterday afternoon and this morning with Guani, Armendáriz and Arroyo I stressed that this move would offer Argentine Government a further opportunity to maneuver for recognition based on usual promises instead of effective implementation of break of relations and that the step would be highly prejudicial to Committee and to a satisfactory settlement of entire problem. They finally agreed not to delay the communication and Guani will refrain from encouraging Chiappe as indicated.

Preliminary action was initiated Monday morning at informal meeting of Committee members, with exception of Argentine, held in Brazilian member's apartment. Chilean members sought to frustrate or delay action on ground Argentina had broken relations with Axis and its member could, therefore, support policy of Resolution XVII. Text of proposed communication was offered as joint draft of the other five members (Chilean member later assured me he was not opposed

[72] For final text, see *Second Annual Report*, p. 97.

to proposal in principle, but believed Committee should merely present facts of Argentine member's failure to uphold policy directives and not draw conclusions therefrom regarding his country's foreign policy. Pursuant to agreement reached at informal meeting Mexican member informed Chiappe of proposal Monday afternoon. [Sanders.]

DAWSON

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710 Consultation (3) A/9–944 : Telegram

The Chargé in Argentina (Reed) to the Secretary of State

BUENOS AIRES, September 9, 1944.
[Received September 9—7:30 p. m.]

2346. The Argentine Foreign Office has just issued a communiqué stating that "under the circumstances and much against its wishes" it has instructed the Argentine representative to the Political Defense Committee in Montevideo to inform the Committee that "the Argentine Republic has been placed in a position of having to withdraw from said organization."

REED

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710 Consultation (3) A/9–1344 : Telegram

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

MONTEVIDEO, September 13, 1944.
[Received September 13—2:30 p. m.]

866. Following is text of Committee's press release as published in today's papers.

"At the regular session held today, Tuesday, September 12 the Emergency Advisory Committee for Political Defense resolved:

First, to declare that for reasons of elementary courtesy the Committee would have preferred to wait before publishing the communication which it resolved at its previous ordinary session of September 5 [73] to transmit to the American Governments and to the Pan American Union until the document had been received by them. However since a part of the communication has already been made known, the Committee considers that it should publish the complete text in order that the true purpose of the document may be understood. This purpose was limited to that of placing before the governments and the Pan American Union the peculiar situation existing in the Committee by reason of the divergent Argentine policy with respect to the objectives of the Committee.

Second, to transmit to the Pan American Union for appropriate action the note sent to the Committee by the Argentine Government stating 'that it withdraws its delegation from the Committee'.

Third, to state specifically that the communication mentioned in the first paragraph was approved at the session of September 6, by in-

[73] For text of this communication, see *Second Annual Report*, p. 97.

dividual vote at the express request of Señor Chiappe who was acting as Argentine member and in his presence and that the session was closed without a recess being declared. As is customary the above-mentioned communication was referred to a special subcommittee in order that certain modifications of language approved at the session might be made. In accordance with the practice which has always been followed this did not require a new vote on the text at a subsequent meeting and no such meeting took place.

Fourth, to make clear with regard to Señor Chiappe's trip to Buenos Aires that it was undertaken on his own spontaneous initiative and that of course none of the members of the Committee had any observation to make in this connection."

Chiappe made following statement to press:

"The description of the events which occurred in the Emergency Advisory Committee for Political Defense which appears in the release of September 9 of the Ministry of Foreign Affairs of my country is what I, adhering strictly to the facts, transmitted to my Government."

DAWSON

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710 Consultation 3A/10–744 : Telegram

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

WASHINGTON, October 7, 1944.

583. For Sanders. Pan American Union Governing Board at October 5 Meeting accepted the resignation of Argentina from the Political Defense Committee. Peru was designated unanimously to fill the vacancy and is being requested to name a member.

HULL

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710 Consultation 3(A)/12–3044 : Telegram

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

SANTIAGO, December 30, 1944—1 p. m.
[Received 5:36 p. m.]

1984. Your confidential circular December 23, 9 p. m.[74] Manifestly impossible here where newspapermen are very intelligent to get material in press without everyone knowing the source, and with a few exceptions very difficult for us to approach papers with material since the press very chary about Argentina. Why could not this material have been given the two American press associations at

[74] Not printed. The circular indicated the release of the *Annual Report* of the Emergency Advisory Committee for Political Defense in Montevideo, and commented on the value of Chapter I (The Aims and Strategy of the Axis) in supporting the Department's position regarding the Argentine regime. The diplomatic missions were instructed to arrange for the publication of the material in Chapter I without identifying the U.S. Government with the source of publicity. (710 Consultations 3A/12–2244)

Montevideo for distribution in South America? Anything cabled by established agencies is used by press here. In my opinion we are losing public opinion in South America on Argentine issue because:

Argentine Government Perón, Farrell, Peluffo constantly call in press associations and give out their propaganda statements that thus find their way into all South American papers. This is almost a daily performance. These press associations carry scarcely any counter propaganda from Washington. Thus in the press our position and the very facts are submerged by the persistent propaganda of Argentina and the effect is apparent.

That which is making an impression is the Argentine propaganda that the exclusion of Argentina destroys "continental solidarity" and this is pressed so continuously that average man is impressed. A vigorous editorial in a leading American paper pointing out with proper sarcasm that the lack of continental solidarity must be charged to the one nation off the reservation and not to the 20 that are together, ending with the story of "everyone out of step but Mike" and given to the press associations for South America would have some effect.

Have discussed distribution of material with Coordination Committee [75] which agrees that it is impossible for it to distribute without source being positively known. If with this knowledge the instructions stand without modification let us know and we will make the attempt.

BOWERS

[75] Local committee representing the Office of the Coordinator of Inter-American Affairs.

NEGOTIATIONS BY THE UNITED STATES WITH THE OTHER AMERICAN REPUBLICS PRELIMINARY TO THE CONFERENCE ON PROBLEMS OF WAR AND PEACE, MEETING AT MEXICO CITY, FEBRUARY–MARCH 1945

710 Consultation 4/10–2844 : Circular telegram

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

WASHINGTON, October 28, 1944.

In reply to a question from the press concerning the reported request of the Argentine Government for a meeting of Foreign Ministers the Department today issued the following statement:

"No communication has as yet been received by the Government of the United States. However, in the event that a communication such as that reported in the press is received either through a government which maintains relations with the Argentine Republic or through the Pan American Union the Government of the United States will, of course, exchange views fully with the governments of the other American republics before taking any decision."

STETTINIUS

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710 Consultation 4/10–2844 : Circular telegram

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

WASHINGTON, October 28, 1944—2 p. m.

Please bring press statement contained Department's plain circular [1] concerning Argentine request to the attention of the Foreign Minister, making very clear that this Government wishes to have a full exchange of views with other American governments before taking a position on the proposal. You should also inform him that as soon as we have received the communication and have had an opportunity to study it our preliminary views will be communicated to all of the other republics except Argentina, and we will welcome a similar expression of views by his Government.

You should also stress that since we have not recognized the Farrell government [2] we will not make any direct reply to any communication that may be received from the Argentine Foreign Office, and we trust

[1] *Supra.*

[2] For correspondence on the problem of recognizing the Farrell regime, see pp. 252 ff.

that the other republics will refrain from making any direct or indirect reply to the Argentine proposal until a consensus shall have been reached after a full exchange of views.

STETTINIUS

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710 Consultation (4)/10–3044 : Telegram

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

MEXICO CITY, October 30, 1944—4 p. m.
[Received October 31—3 :21 a. m.]

1371. This afternoon Tello [3] called me to the Foreign Office and, stating that he was speaking for the Minister,[4] advised me as follows:

The Mexican Ambassador in Washington [5] will be under instructions, when the question of the Argentine memorandum comes before the Governing Board of the Pan American Union, to state that there are various questions which could advisedly be taken up by a meeting of Foreign Ministers and that the American Governments should be afforded an opportunity to make suggestions for the agenda of such a meeting. The ideas behind this are that (1) it is not thought wise to accept or reject outright the Argentine proposal (2) this Mexican idea should afford a period of perhaps as much as 2 or 3 months for the preparation of the agenda, during which period the other American Republics will be afforded an opportunity to observe whether or not Argentina carries out her current promises of cooperation. If these are carried out, there is no reason why relations could not be resumed thus avoiding having this question discussed at a meeting of Foreign Ministers. If, however, Argentina fails to carry out these new assurances, there is no reason why this should not be openly stated.

We are telegraphing separately the exact Spanish text of a statement Padilla will make to the press tonight. In general this seems consistent with the Department's ideas. Tello points out that the word "government" with respect to the Argentine is not used. In response to my inquiry as to whether Argentines could make tendentious use of the second paragraph of the statement, Tello said that he did not think so. He stated that the paragraph would not be necessary had not the Foreign Minister recently indicated some sympathy towards a meeting of Foreign Ministers. He pointed out that reference was made to the thought that the eventual meeting of Foreign Ministers would deal with a number of questions of common interest to the American Republics.

Tello said the Foreign Office has information to the effect that the Argentine Minister of Agriculture, who recently resigned, was one

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[3] Manuel Tello, Mexican Under Secretary for Foreign Affairs.
[4] Ezequiel Padilla, Minister for Foreign Affairs.
[5] Francisco Castillo Nájera.

of the most pro-Nazi members of the Argentine regime and that his resignation may be due to his disapproval of the Argentine proposal. Tello seemed encouraged but not convinced by this and other recent developments in the Argentine, such as assurances that Nazi individuals and capital would not find refuge in Argentina, as well as by the suppression of pro-Axis newspapers.[6]

He said that some of the other American Governments seemed to favor the meeting proposed by Argentina on the ground that denial could not juridically be given to the Argentine request since the Pan American Union is made up of nations rather than of governments.

I am convinced that the Mexican Government is continuing wholehearted cooperation in this Argentine matter. Anything said by Tello which might possibly give a contrary impression seems to be based upon his desire to give all available information and not with the thought of giving aid or comfort to the Argentine regime until it has proved that it will sincerely cooperate.

BURSLEY

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710 Consultation 4/10–3044 : Telegram

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

CARACAS, October 30, 1944—7 p. m.
[Received October 31—5 :38 a. m.]

1029. I presented to the Foreign Minister[7] this morning the message in Department's circular October 28, 2 p. m.[8] He offered his views prefacing his remarks by saying that he was going to speak frankly with the freedom that is necessary between friends in such a situation.

(1) Any American Republic large or small has a right to move that a meeting of the Foreign Ministers be called.
(2) Venezuela is ready to take part in such a meeting.

In the opinion of the Venezuelan Government he said there is no question about the juridical status of the Farrell government. Although the Venezuelan Minister to the Argentine[9] is here in Caracas there has been no actual rupture. The Argentine Chargé during an informal call on the Director General[10] has delivered to the Venezuelan Foreign Office the Argentine communication requesting the meeting. No reply is at present contemplated he assured me. The joint statement on Argentina which was concerted with Colombia stated that "it had not yet been possible to normalize (*no ha logrado a normalizar*) relations between them and the Argentine Government."

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[6] For correspondence on the concern of the United States with Nazi interests in Argentina, see pp. 377 ff. and pp. 391 ff.
[7] Caracciolo Parra-Pérez.
[8] *Ante*, p. 27.
[9] Luis Teófilo Nuñez.
[10] Director General of the Foreign Office, Henríquez Gil Fortoul.

He said that this present appeal to the other American Republics by Argentina to call a meeting of Foreign Ministers would afford Argentina the opportunity to make the "amende honorable", and was in effect subjecting itself to the judgment of the other American Republics. To attempt to deny this opportunity to Argentina would surely provoke a division among the American Republics, as there would scarcely be unanimity of refusal and a situation of pandemonium in American relations might follow refusal.

To synthetize his position he is definitely in favor of a reunion of Chancellors at a very early date primarily to unify the American stand on the postwar organization, also to afford a possible road to a solution of the Argentine problem.

His views were that if a meeting of Foreign Ministers is called Habana would be a convenient meeting place.

CORRIGAN

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710 Consultation 4/10–3044 : Circular telegram

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

WASHINGTON, October 30, 1944—midnight.

You are authorized to state in reply to any possible inquiries that my statement to press this morning that United States would do nothing to oppose a Meeting of Foreign Ministers refers to Meeting for discussion of post-war problems and other general matters and should, of course, not be interpreted as expression of opinion on Argentina's proposal for Meeting to consider her international position.

STETTINIUS

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710 Consultation 4/10–3044

The Secretary of the Governing Board of the Pan American Union (de Alba) to the Secretary of State

WASHINGTON, October 30, 1944.

MY DEAR MR. SECRETARY: I have the honor to send you herewith a translation of a communication dated October 27, 1944,[12] with an accompanying memorandum,[13] which were sent to the Governing Board of the Pan American Union by the Representative of the Argentine Republic. These documents will be presented to the Governing Board at the session to be held on Wednesday next, November 1st.

I beg to remain [etc.] PEDRO DE ALBA

[12] Not printed.

[13] The memorandum printed as enclosure below.

[Enclosure—Translation]

Memorandum From the Representative of the Argentine Republic (García Arias) to the Chairman of the Governing Board of the Pan American Union (Hull)

The Argentine Government has been observing with concern the situation confronting the American concert of nations as a result of the attitude assumed by some of the governments toward the Argentine Republic, a situation that creates divisions incompatible with the traditional spirit of fraternity existing between peoples united by proximity, origin and ideals, and foments artificially a heretofore unknown atmosphere of disunity. Above all, it is a condition that implies the continuation of the suspicions which seriously threaten the spiritual solidarity of the nations of America.

In such a delicate situation, the Argentine Government, conscious of the righteousness of its position, reaffirms unreservedly its determination to safeguard the rights of the country which it has the honor to represent. But that determination does not prevent it from again declaring that it does not close the door to an understanding based on honorable grounds. On July 26th the Argentine Foreign Ministry expressed its decision to maintain, in so far as it might be compatible with the dignity of the country, the conciliatory spirit which animated it. "In such circumstances," it added, "we can only wait, calmly and steadfastly, certain of the justness of our position and the rectitude of our actions. In thus defending our own rights we make the greatest contribution to the strengthening of juridical order as the universal and irreplaceable rule of conduct between States." Although similar conciliatory aspirations have been repeatedly expressed in other countries of America, the problem persists unchanged. Because of that fact the Argentine Government, as further evidence of its spirit of harmony, is addressing itself to your Government to explain the measures which in its judgment may even today assure the indispensable unity of the American family.

There is invoked against Argentina a presumed non-compliance with its commitments, an allegation that involves a problem of interest not to one country or group of countries, but to the entire Continent.[14] The laborious development of the Pan American system has resulted in the establishment, for just such cases and as a formula of solidary action and a guarantee of equality of treatment, of the procedure of consultation. The most adequate instruments of this procedure are without doubt the consultative meetings of Foreign Ministers agreed

[14] For correspondence on this subject, see pp. 1 ff., and pp. 252 ff.

upon at the Lima Conference,[15] for, to engage in systematic consultation outside of a conference, would imply an alteration of the spirit of the agreement. It is therefore desirable to seek, within the framework of Pan American agreements, a satisfactory solution of the present misunderstanding. The traditional Argentine attitude in favor of the pacific and legal settlement of conflicts and the absence—at the present time—of any other international organization, justify this course.

For the reasons set forth above, the Argentine Government has the honor to inform you that it has this day requested the Governing Board of the Pan American Union to convene a Meeting of Foreign Ministers to consider the situation that has been created. At this Meeting all the American countries without exception would have an opportunity to express their points of view. They would thus possess all the necessary elements to enable them to act with a full knowledge of the case. A correct formulation of the problem could take into consideration only the acts in the international conduct of a country and not the presumed intentions attributable to one or another of these acts. In making this proposal the Argentine Government is fully aware of the great importance of its action. In fact, it is not usual that a country should wish to consider, jointly with its peers, a fundamental aspect of its international conduct. But Argentina can do it without impairment of its dignity. In the first place this attitude conforms with its best diplomatic traditions of sincerity and frankness. As it has nothing to hide, it has nothing to fear. In the second place, the exceptional period through which the world is passing requires exceptional understanding and generosity of spirit. We are at the close of one of the most critical periods in the history of humanity. Peace and harmony, which must be its fruit, cannot be brought forth from division or rancor. The great and difficult problems which nations must solve, require the whole-hearted collaboration of all. From that collaboration, Argentina, which fully appreciates the responsibilities of the moment, expects no selfish advantage from either the political or the material point of view. But it believes that no true and stable order can be established in the American community on the basis of the arbitrary exclusion of one of its members.

There is one point on which the Argentine Government desires that there should be no possibility of an erroneous interpretation. This refers to the effect of the present misunderstanding on the internal organization of Argentina. As has just been said, this Government would view most cordially any initiative tending to emphasize col-

[15] For text of a resolution on the consultative procedure, 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. 188. For correspondence concerning this Conference, see *Foreign Relations*, 1938, vol. v, pp. 1 ff.

laboration between the nations of the Continent, but it considers that in no case can the adoption of internal measures related to the juridical and institutional organization of the country, be the subject of international negotiations. That would be a dangerous basis for the reciprocal respect that must exist between States.

In conclusion, the Argentine Government is confident that the fraternal spirit that inspires the foregoing observations will be shared by all the American Governments and that the Meeting which is proposed will serve to assure harmony and mutual respect among the nations of the Continent.

WASHINGTON, October 27, 1944.

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710 Consultation 4/11–144 : Circular telegram

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

WASHINGTON, November 1, 1944—7 p. m.

Please see the Foreign Minister immediately and reiterate this Government's determination not to take any decision with regard to the Argentine proposal until after a full exchange of views with all the other American Republics (see Department's Circular 6 p. m. today [16]). I consider it of the utmost importance that, in keeping with the system of consultation among the republics on matters of common concern, no government reply to the communication of the Governing Board of the Union, nor of course to Argentina, until after a consensus of opinion has been obtained through a full exchange of views with all the other republics. I am very much concerned that some governments might arrive at a hasty decision without fully realizing all possible consequences of a meeting on the basis of the Argentine request, and particularly the implications with respect to recognition.

If you have not already received assurances from the Foreign Minister that his Government will make no reply to the Governing Board until after such a consensus has been reached, you should urge him to give you assurances to that effect. You may state, if asked, that certain preliminary views of this Government will be transmitted shortly.

At today's Meeting of the Governing Board of the Union the Director General was instructed to transmit the Argentine proposal to the governments. No other action was taken on the proposal.

STETTINIUS

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[16] Not printed.

710 Consultations 4/11–244

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

QUITO, November 2, 1944—9 a. m.
[Received 9:50 p. m.]

1053. My telegram No. 1047, November 1, 3 p. m.[17] The local press this morning publishes the following communiqué:

"The Minister for Foreign Affairs[18] in being questioned by members of the press yesterday morning regarding the position of Ecuador with respect to eventual consultative meeting of Foreign Ministers stated 'that the Government of Ecuador which has presented its points of view to the Governments of Colombia and Venezuela would view with pleasure the consultative meeting of American Ministers for Foreign Affairs proposed by the Government of Argentina, not only in consideration of the utility and timeliness of such a consultation at this time when the arduous postwar problems are approaching but also because it has the conviction that it is an irrevocable duty of the American nations to place in action all the instruments at their disposal for the increasing strengthening of the continental unity and harmony'."

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SCOTTEN

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710. Consultation (4)/10–3044: Telegram

The Acting Secretary of State to the Chargé in Mexico (Bursley)

WASHINGTON, November 2, 1944—4 p. m.

1958. You should act on the following instructions only after you receive further word either from the Department or from Ambassador Messersmith.[19]

Please see Padilla urgently and speak to him along the following lines:

We have given very serious consideration to Dr. Padilla's public statement and to the message which he transmitted to you through Tello (Embassy's 1371, October 30, 4 p. m.). We, of course, recognize that the Argentine request for a meeting poses an exceedingly difficult problem for all the other American republics and that it must therefore be met with the utmost decision and care.

It is our judgment that the Argentine proposal is a brazen and insincere move which does not deserve consideration on its merits. The Farrell regime is well aware of the actions it must take before

[17] The reference is in error. It should be to telegram 1039, October 31, 1944, noon, not printed.

[18] Camilo Ponce Enríquez.

[19] George S. Messersmith. On this date the Ambassador was conferring with the Chief of the Division of River Plate Affairs, Carl B. Spaeth, in Dallas, Texas.

the other American republics will accord recognition. A meeting of Ministers such as that suggested by Argentina could do no more than recite Argentina's failure to comply with its commitments and, in addition, possibly obtain one more promise of performance by the Argentine government. Since the American republics would certainly not accord recognition at a meeting on the basis of a mere promise of future performance, nothing of real significance could be accomplished. Furthermore, Argentine participation in such a meeting would necessarily prevent the consideration of the urgent post-war problems on which the American republics which have cooperated in the war effort should consult at a very early date.

We are of the opinion, however, that the move of the Farrell government should be met promptly by a positive proposal from the other American republics.

We have been much interested in the statement of Dr. Padilla at Havana early this month on the desirability of a Meeting of Foreign Ministers and for some time before the Argentine proposal was made we had been giving serious consideration to suggesting to Dr. Padilla that if he wished to propose the Meeting officially, we would be glad to support him in this suggestion. It would be particularly regrettable if Dr. Padilla's initiative were to be blocked by this obvious Argentine stratagem. We believe, however, that because of the fact that he has already publicly proposed a Meeting and in view of his preeminence among the statesmen of the American republics, Dr. Padilla is in an excellent position to prevent this happening and to bring about a successful solution of the problem.

We would therefore like to know whether he would now formalize the informal proposal which he has heretofore made by recommending to the Governing Board of the Pan American Union, that the Foreign Ministers of the republics which have cooperated in the war effort (thus of course excluding Argentina) meet in Mexico City to consider urgent problems of common interest, including international security organization and other post-war problems. At the same time he could recommend that there be included as a final item on the agenda the subject "The Request of the Farrell Government for a Meeting of Ministers to Consider Argentina's International Position," and that the Farrell government be invited to send a representative, to appear at the conclusion of the regular meeting, for the sole purpose of presenting the Argentine case in support of its proposal.

. . . . . .

The proposal which we would hope Dr. Padilla will make would not, on the other hand, deny Argentina the hearing which she claims to seek. If she sincerely and in good faith desires to state her case, she will accept an invitation to set forth at the end of the proposed meet-

ing on post-war problems the reasons why her proposal should be accepted by her sister Republics. She will be permitted to meet and explain if possible several fundamental fallacies in the proposal. For instance, the attempted reservation at the end of the proposal if not satisfactorily explained would seem to us to defeat any comprehensive and thorough-going consideration of Argentina's position. Secondly, the proposal does not set forth precisely what decision or judgment Argentina expects the other Republics to make. Obviously it cannot be expected that the present difficulties between Argentina and each of the other Republics can be finally determined or settled by any vote or resolution taken at the proposed meeting. In other words, a thorough-going analysis of the proposal may well reveal it to be an adroit move which would exclude consideration of the principal points at issue, lead to no possible definitive action and result only in confusion and disunion among the American Republics.

In making his recommendation along the lines set forth above, Dr. Padilla could properly emphasize that the delicate character of the Argentine proposal requires that it be considered by the Foreign Ministers themselves and does not permit effective consideration through the Governing Board of the Pan American Union which, by express stipulation of its basic charter and long tradition, has never concerned itself with political problems. After the presentation of the reasons for the Argentine proposal by the special Argentine representative, the Ministers of the other republics could determine what disposition should be made of that proposal.

Please tell Padilla that we view this as a confidential communication to him. In the event that he views this suggestion favorably, he may wish to sound out other governments promptly. If he is ready to proceed on this basis, we should be very glad to consult with him with respect to the agenda and particularly as regards the time of the Meeting.

STETTINIUS

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710 Consultation (4)/11–344 : Telegram

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

BOGOTÁ, November 3, 1944—8 p. m.
[Received November 4—3 :40 a. m.]

1854. ReEmbstel 1852, November 3, 5 [4] p. m.[20] I have just returned from Foreign Office where I discussed for nearly an hour with Minister of Foreign Affairs[21] the nature of the assurances Colombian Government might give regarding Argentine proposal.

[20] Not printed.
[21] Darío Echandía.

Dr. Echandía reiterated that Colombian position had already been expressed publicly on October 31.[22] I pointed out that this expression of views could hardly be considered a reply to the Argentine proposal inasmuch as that proposal was not officially transmitted by the Pan American Union until the following day November 1, and suggested that before transmitting the Colombian reply to the Pan American Union it would seem entirely appropriate to receive the views of the other American Republics. However, Dr. Echandía was obviously reluctant to give any assurances which might be interpreted as making the Colombian reply dependent upon views expressed by other countries and indicated no desire to modify in any way the terms of the communiqué of October 31. After further discussion he drafted in my presence and has given me informally the following statement (in translation) of the Colombian position:

"We have already expressed our opinion favorable to the meeting of Foreign Ministers to study the Argentine case; we perceive no objection, but rather we would have much pleasure in hearing now the opinions of the other American countries before transmitting officially our opinion to the Pan American Union; but we understand that our views on the substance of the matter are already fixed, in agreement with Venezuela and Ecuador."

While the qualifying clauses in the foregoing statement detract from the effectiveness of the assurances not to reply to the Pan American Union before hearing the views of other countries, I do not believe that stronger assurances can be obtained from Colombia at this time, and it is hoped that the foregoing will be adequate for the Department's purposes.

Dr. Echandía stated specifically that the Colombian attitude in favoring a meeting of Foreign Ministers should not be interpreted as an indication of any sympathy with the policies followed by Argentina in recent months under present regime. On the contrary he said that Colombia had made its views regarding Argentina public last August 7 in the public statement issued jointly with Venezuela (redes 4197 August 9)[23]; and that the same statement expressed Colombia's desire that continental solidarity be restored.

Repeated to Caracas and Quito.

DANIELS

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[22] A communiqué of this date indicated the willingness of Colombia to attend a conference called by Argentina. It was quoted by the American Chargé in his telegram 1839, October 31, 1944, 6 p. m., not printed (821.9111/10—3144).

[23] Not printed.

710 Consultation 4/11–444 : Circular telegram

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

WASHINGTON, November 4, 1944—6 p. m.

The Foreign Ministers of Colombia and Ecuador have issued press statements to the effect that after consultation between their two countries and Venezuela, they favor acceptance of the Argentine proposal. However, the Venezuelan Foreign Minister has informed our Ambassador that these statements were issued without consulting Venezuela and that his country will make no reply or public statement until a consensus of opinion has been reached after full consultations with the other Republics. The Ecuadoran Foreign Minister has informed our Ambassador that his press declaration was intended to explain Ecuador's interest in the holding of a meeting of Foreign Ministers and that the Argentine proposal was purely coincidental to this desire. He added that Ecuador had not received any communication either from Argentina or the Pan American Union and would make no reply to Argentina or to the Union until after full consultation with other governments.

Assurances have also been received from remaining Republics, except Guatemala, that they will make no reply either to Argentina or to the Union pending full consultation, and all countries have recognized the undesirability of precipitate action in the matter.

The Department has, of course, been giving most careful consideration to the various aspects of the situation created by the Argentine proposal, but for reasons which can not now be disclosed, it will not be possible for the Department to indicate its views in detail or to discuss possible course of action for another few days.

Cables have been received indicating that the other Republics are anxious to have our views. The Department fully appreciates the difficulties of the position in which you may thus find yourself, but is counting upon you to forestall for the time being any further statements or action on the part of the government to which you are accredited. It is particularly important that you impress upon the government the desirability of avoiding precipitate action, and you may assure the Foreign Minister that the definitive views of this Government will be transmitted at the earliest possible moment.

STETTINIUS

710 Consultation 4/11–844: Telegram

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

MEXICO CITY, November 8, 1944—8 p. m.
[Received November 9—6:30 a. m.]

1404. I have just returned from the Ministry of Foreign Affairs where Padilla called me. To my surprise and without explanation he said that he had talked with the Brazilian, Uruguayan, and Cuban Ambassadors [24] during the course of the day and had handed them a memorandum which he was about to read to me. He said that this matter of the Argentine had certain aspects of urgency and that he had handed to the above mentioned Ambassadors the memorandum he was about to give me and which was brief restatement of the memorandum which I submitted to the Department with my despatch 21242 of November 7 [25] and of which I gave a résumé in my telegram no. 1399 of November 7, 3 p.m.[25]

The translation of the memorandum [26] is as follows:

"(1) We must at all costs defend the unity of continental America.
(2) A meeting of the Foreign Ministers to discuss the Argentine case would be a grave danger for this unity.
(3) The reincorporation of the Argentine in Pan American cordiality is urgent.
(4) The Argentine Governments during the course of the war and the actual Government during recent periods have given justified causes for judging that the form in which they have complied with the agreements of Rio de Janeiro has not been satisfactory and that their cooperation has not been in accord with what could be expected from the Argentine traditions.
(5) It is necessary to find a formula which satisfies the dignity of the American countries which have abstained from maintaining relations with the Argentine Government and which, at the same time, will prepare the way for a satisfactory understanding.
(6) In our opinion the procedure most advisable would be the following:

(*a*) That instead of calling a meeting of Foreign Ministers to discuss the Argentine case, it be called to discuss matters of permanent general interest related to the postwar such as those relating to the harmonizing of the continental organization within the general organism which the United Nations are creating (establishment of a 'sociedad Americana'), the economic solidarity of our hemisphere; the coordination of the various American organisms and instruments which have been created; the

[24] Carlos de Lima Calvancanti, Mateo Marqués Castro, and José Manuel Carbonell, respectively.
[25] Not printed.
[26] A paraphrase of this memorandum on the Mexican position was sent in a circular telegram to the other American Republics except Mexico, November 12, 1944, 6 p. m.

control of armaments of the American countries; and other subjects of interest which may be placed on the agenda.

(*b*) That the date of the meeting be February 1 in order to provide the necessary time that there be crystalized the definitive Dumbarton Oaks project;[27] with the understanding that that date could be advanced if during December 1944 or January 1945 the United Nations reach an accord on the above mentioned project. In this manner the American countries will have sufficient time to study the subjects which will appear on the agenda.

(*c*) In the meantime the American Republics which do not maintain relations with the Argentine will exchange impressions in order to find the appropriate conditions for the renewal of the same.

(*d*) These conditions would be derived fundamentally from a balance between the measures taken by the Argentine Government to fulfill the agreements taken at Rio de Janeiro[28] and those which in the opinion of the American Republics it must take; further an endeavor would be made to obtain the democratic guarantee that the Argentine people will be called to express their opinion on a matter of continental interest. It is undoubted that we do not have the right to discuss the internal life of the nations of this continent, since this treats of a matter which depends from their sovereign rights. But it does interest us, particularly in a time of war such as this, what the repercussion of such internal life had on international affairs. Some American countries have given, in spite of the fact that their internal regime is not in accord with strict democratic norms, invaluable proofs of what continental solidarity should be.

(*e*) If through the friendly and brotherly intervention of all of our Republics the Argentine accepts this opportunity to reincorporate herself fully in the unity of our continent, the meeting of Foreign Ministers on February 1 would take place with her very desirable participation full.

We would be happy to be able to work in this matter, in complete conformity with all of the countries of America and from them we hope to receive their observations on the foregoing points."

Padilla said with reference to paragraph 6 subdivision (*d*) of the above memorandum that he was of the opinion that the providing for elections, even if not held before the meeting, was indispensable to Argentine participation in an eventual meeting.

Padilla said that the Brazilian, Uruguayan and Cuban Ambassadors expressed themselves as completely in accord with this procedure and would strongly support it before their governments. He will hand the memorandum to all the other American Chiefs of Mission except the Argentine tomorrow and I venture to express the opinion

[27] For correspondence on the Dumbarton Oaks Conversations, see vol. I, pp. 713 ff.

[28] Third Meeting of the Foreign Ministers of the American Republics, January 15–28, 1942; for correspondence, see *Foreign Relations*, 1942, vol. V, pp. 6 ff.

that most, if not all, of the Latin American Republics will go along with him on this proposal, for it is what they have been looking for.

I expressed some surprise to Dr. Padilla that he had proceeded with this initiative as it has been my understanding that he would not act until hearing from us further. He gave no explanation of proceeding with the delivery of this memorandum today except to state that the matter was urgent.

In my opinion in view of the fact that Padilla has taken this action which is so likely to be acceptable to most of the other American Republics, if not all, and which gives strong promise of providing a satisfactory solution, we should promptly inform him of our support of his initiative.

MESSERSMITH

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710 Consultation 4/11–1044 : Telegram

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

MEXICO CITY, November 10, 1944—10 a. m.
[Received 6:51 p. m.]

1407. Padilla informed me last evening that he had now handed the memorandum, the text of which I transmitted in my telegram No. 1404 of November 8, 8 p. m., to all of the Chiefs of Mission of the American Republics in Mexico City, with the exception of the Argentine. He said that all of them had expressed their personal appreciation of his initiative and their agreement that it offered an approach which gave promise of success and an adequate solution. He said that all were in agreement in expressing the personal opinion that a meeting on the basis of the Argentine initiative was impossible and that a meeting of Foreign Ministers to discuss other urgent problems was necessary, at which the attendance of the Argentine was desirable but that such attendance by the Argentine was not possible until the Argentine had taken definite and adequate steps. They expressed personal agreement that if by the time such meeting is held the Argentine had not taken necessary and adequate steps as outlined in his memorandum, the meeting must be held without the Argentine.

I have not discussed this matter of Padilla's initiative with any of my American colleagues except the Brazilian, who came to see me to say that the memorandum had been handed to him. His reaction was entirely favorable, and he so has said to his Government. My impression is that the Chiefs of Mission in Mexico City will make favorable recommendations to their Governments on the Padilla memorandum and initiative.

I have not expressed any opinion to Dr. Padilla for our Government on his initiative and have told him that up to now I have not received any reaction from my Government.

Although the newspapers here give considerable space to despatches from the news agencies in Washington concerning the Argentine matter and alleged statements made by or attributed to the Department, I have not since my arrival in Mexico City on November 5 had any information from the Department concerning its present thought for my guidance.

I repeat my recommendation that we go along with the Padilla memorandum and procedure for I think we will find that all of the other American Governments will see in it a procedure which offers promise of success and eventually adequate solution of the problem.

MESSERSMITH

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710 Consultations 4/11–1144

Memorandum by the Under Secretary of State (Stettinius) to President Roosevelt

WASHINGTON, November 11, 1944.

You will recall in a recent conversation that you agreed that a meeting of Foreign Ministers was desirable but that the Argentine Government should not participate in the meeting. You also agreed that a representative of the Argentine regime might be invited however—as a kind of postscript—to present its case after the full meeting.

We have now received a memorandum from the Foreign Minister of Mexico in which he proposes a meeting of Foreign Ministers to discuss post-war problems and to which the Argentine Government would be invited provided that between now and that time a formula for recognition of the Argentine Government can be worked out along with the other American Governments.

In the attached draft of cable,[29] which constitutes a reply to the Mexican Foreign Minister, we have taken the following position:

1) We agree to the desirability of a meeting of the Foreign Ministers to discuss war and post-war questions but Argentina would not be invited.

2) We do not agree with the Mexican Foreign Minister's proposal to consult with the other Governments to find a formula for the recognition of Argentina, but

3) We are agreeable to the appearance of a representative of the Argentine Government after the close of the meeting on post-war problems for the sole purpose of discussing the Argentine situation.

In other words, our proposal follows the lines of your views in our last conversation.

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[29] Telegram sent as 2006, November 12, 11 a. m., to Mexico City, *infra*.

I believe that the foregoing is an accurate summary of the cable to our Ambassador in Mexico, which you need not read if the line we are taking is agreeable to you.

This is urgent in that the Mexican Foreign Minister has furnished each of the other Governments of the Americas with a copy of his proposal to us and it is important that we lose no time in communicating our views to them in order to avoid premature action on their part. May I therefore ask your approval of this telegram at your earliest possible convenience.[30]

E. R. STETTINIUS, JR.

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710 Consultation (4)/11–1244 : Telegram

The Acting Secretary of State to the Ambassador in Mexico (Messersmith)[31]

WASHINGTON, November 12, 1944—11 a. m.

2006. The Government of the United States has given very careful consideration to the proposals contained in Dr. Padilla's memorandum of November 6, 1944,[32] and desires to make the following comment:

I

The Government of the United States is in entire agreement that a Meeting of Foreign Ministers of the American Republics which have cooperated in the war effort should be held to discuss urgent war and post-war problems. It shares the opinion of Dr. Padilla as to the importance of this Meeting. This Meeting will give to the nations of America that have so wholeheartedly cooperated in the war effort, the opportunity to assess the progress that has been made in the realization of their war objectives and to lay the basis for their effective collaboration in the peace. This Government is therefore glad to support this initiative of the Foreign Minister of Mexico. Any date, either before or after the United Nations meeting, which will permit the participating Governments to make adequate arrangements for both meetings, would be acceptable to this Government. It is believed that such a date can be promptly fixed by mutual agreement.

II

(1) The Government of the United States is, of course, prepared to continue consultation with the other American Republics on the ques-

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[30] There is a notation on the file copy of the telegram (*infra*) : "Approved by the President".

[31] This telegram was repeated on the same date as a circular to the diplomatic missions in the American Republics except Argentina.

[32] Not printed, but for translation of memorandum of November 8, which was a restatement of the earlier memorandum, see telegram 1404, November 8, 8 p. m., from Mexico City, p. 39.

tion of relations with Argentina, as we are on all matters of mutual interest. It has been the constant object of this Government, as it has been of all the American governments, to obtain the 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 sacrificing the full measure of their human and material resources, cannot be compromised for the sake of an 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 is 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.

(2) On June 22, 1944, this Government stated its position [33] with respect to the present Argentine regime in a communication to the other American Republics which reviewed the development of our system of Hemisphere defense and cited the facts which demonstrated Argentina's failure to fulfill its commitments as a responsible member of the inter-American system. In the same document, we reviewed the actions of the Farrell government since its assumption of power in February of this year, and established that the present government of Argentina had not only failed to cooperate with the other American Republics but had, in fact, given affirmative assistance to the enemy. In that statement we made the following declaration:

"The large majority of the American Republics do not maintain relations with the Government of Argentina because, in refusing to join in the common defense against a common enemy, that government has jeopardized the security of the Hemisphere and destroyed the unity of the Americas at a crucial moment of their history. Any suggestion that the other American Republics should recognize the present government of Argentina on the theory that recognition would help to advance the cause of hemispheric unity after the war, breaks down completely when it is seen that the most compelling considerations of national safety and independence of each of the American Republics, including Argentina itself, have not moved that government to practice unity in time of war."

This statement of our position was approved by all the governments which had not recognized the Argentine regime and was immediately followed by the withdrawal from Buenos Aires of the Chiefs of Mission of practically all of the American Republics and of their associates

[33] See circular telegram of June 22, 11 p.m., p. 315.

among the United Nations. Subsequently, in response to inspired rumors that renewed consideration was being given to the recognition of that regime, 14 American Republics publicly reaffirmed their solidarity in defense of the unity of the Continent and in condemnation of the policy and actions of the Farrell government.

(3) Nothing that has happened in the last 4 months warrants a change in the position then taken. The Farrell government is and always has been well aware of the actions that would be necessary to implement Argentina's inter-American commitments and to align it in good faith with the other nations of America. That government is well aware that this is a matter of conduct and not of promise, of substance and not of form. For this reason to attempt to reduce to a formula the conduct which would be appropriate to a nation desirous of being a sincere collaborator in the security of the Hemisphere, is to raise form above substance and to open the way for the evasion of the fundamental obligations undertaken and performed by all the other American nations. A formula is unnecessary where the desire to collaborate is sincere; where there is no such desire, it becomes an invitation to go through a mere formality. It therefore continues to be the view of this Government that there is no need for the negotiation of a formula to guide the Farrell regime and that only through continued and consistent performance of acts that will demonstrate a settled policy of genuine cooperation with its sister republics can Argentina win their confidence.

III

This Government agrees with the Foreign Minister of Mexico that it is very doubtful whether a consideration of Argentina's conduct at a Meeting of Foreign Ministers would serve any useful purpose. As has been stated above, the Farrell government knows full well what is expected of it, and it is questionable whether anything can be accomplished by one more statement of the case. Nevertheless, if the other American Republics should favor a Meeting for that purpose, this Government is ready and willing to participate in a full and free discussion of the Argentine question. It is believed, however, that the other Republics will agree that if a hearing is granted, it must be a hearing designed by appropriate procedural steps to assure a full and open discussion of all aspects of Argentina's conduct which relate to the truly fundamental issues. The Argentine proposal gives no assurance that the representative of the Farrell government will not attempt to exclude from consideration the substance of the differences between Argentina and the other American Republics by a technical interpretation of its commitments under inter-American agreements, by resort to an ambiguous reservation with regard to so-called internal measures, or by some other evasive procedure.

If the American Republics decide to grant a hearing to the Argentine regime, we would be agreeable to the appearance of a representative of that regime following the close of the Meeting referred to in Part I, for the sole and exclusive purpose of discussing the Argentine situation. We do not believe that a representative of the Farrell government should attend the meeting on war and post-war problems. Tardy efforts to create an appearance of collaboration should not be considered sufficient to entitle the Argentine regime to participate in such a meeting. Neither should a request for a hearing by that regime be permitted to cause a postponement of a consultative meeting of the other American Republics.

E. R. STETTINIUS, JR.

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710 Consultation (4)/11–1344

Memorandum of Conversation, by the Acting Director of the Office of American Republic Affairs (Armour)

[WASHINGTON,] November 13, 1944.

Participants: Señor Don Marcial Mora, Ambassador of Chile.
Norman Armour, Acting Director, Office of American Republic Affairs.
James Wright, Chief, NWC.[34]

The Chilean Ambassador called this evening by appointment, having telephoned to say that he had an urgent matter to take up. Dr. Mora said that our Government had asked the Chilean Government's views on the Argentine proposal and he had now received a telegram from his Government, which he proceeded to read, setting forth the Chilean Government's position. Briefly, it was this: The Chilean Government was in favor of having the meeting, with the Argentine question first on the agenda. The telegram also listed other matters they felt should be included, having to do with the war and postwar problems, the inter-American security system, et cetera. The Ambassador went on to say that if the discussion showed that the other governments felt the Argentine Government had failed to make its case they should then be asked immediately to withdraw and the meeting would then proceed to consider the other important questions.

Dr. Padilla's proposal then came up, and the Ambassador indicated with some insistence that his Government would like to have our opinion on this. I told him that we had only within the last twenty-four hours completed our reply to Dr. Padilla on his proposal and that a copy of this had been sent to our missions in the various American countries except Argentina, and I presumed that our Ambassador, Mr. Bowers, either had already or would shortly have com-

[34] Division of Northwest Coast Affairs.

municated our position on this to Dr. Fernández.[35] The Ambassador showed some irritation that we had taken this step without informing him, stating that had he known of this it was probable that it would have forestalled his Government in sending the telegram he had just read me on the Argentine proposal. The discussion then turned to the general question of the merits of the two proposals, and we endeavored to explain to the Ambassador the reasons why we felt that the Farrell regime by its actions did not merit having favorable consideration given to their proposal to call a meeting for the primary purpose of considering Argentina's case and that the furthest we feel we could go would be to have a representative of the Argentine Government appear at the end of a meeting called to discuss the more important American problems, when they could be heard—this, provided the other American countries felt we should go as far as this. It was explained to Dr. Mora that Dr. Padilla's proposal was still under discussion and that no final decision would be reached until we had the views of the other governments. Mr. Spaeth [35a] explained briefly certain of the points raised in the Padilla proposal, a copy of which the Ambassador had with him. It was clear that the Ambassador's interpretation of Padilla's proposal differed materially from our own. As the conversation had by this time been going on for almost two hours, it was agreed that we would meet again in the morning and at that time give the Ambassador a résumé of our position on the Padilla proposal.

The Ambassador said he wished to make it clear that his Government desired to cooperate with us in every way and that if we were not disposed to accept the Argentine proposal they would accept our position. He had asked for this preliminary talk with us before seeing the Acting Secretary, and now that he had our views he did not propose to press the matter further with the Acting Secretary.

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710 Consultation (4)/11–1344 : Telegram

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

MEXICO CITY, November 13, 1944—6 p. m.
[Received November 14—5:20 a. m.]

1417. I saw Padilla in the early afternoon today for the purpose of delivering the memorandum conveying the text of the Department's circular telegram No. 2006 of November 12, 11 a. m., which has been sent to all of our Chiefs of Mission in Latin America with the exception of the Argentine. In my conversation with him I had fully

[35] Joaquín Fernández Fernández, Chilean Minister for Foreign Affairs.
[35a] Carl B. Spaeth, Chief of the Division of River Plate Affairs.

in mind the Department's telegram No. 2008 of November 12, 3 p. m.,[36] conveying a message to me from Armour, and also the circular telegram of November 12, 4 p. m.[36] I also had in mind the substance of the telephone conversation with Dr. Spaeth this morning conveying to me the Department's latest thoughts on the Padilla memorandum.

I opened the conversation by saying that the Department had been giving his memorandum of November 6[37] careful study when it received information from me concerning the memorandum which he had delivered to the American Chiefs of Mission here for transmission to their Governments and that this had taken the Department somewhat by surprise. Under the circumstances, and as the Department was receiving inquiries from other governments and our Chiefs of Mission, we had deemed it necessary to send a telegram to all of our Chiefs of Mission on November 12 outlining our point of view with regard to the Padilla memorandum and the Argentine request for a meeting to consider its case.

At this point I handed the memorandum conveying the text of the Department's telegram No. 2006 to the Minister to read it very carefully. His immediate reaction was that it was a well prepared, clear and strong document. We then proceeded to a discussion of the matter. I said he would note that my Government was in very close accord with the ideas expressed in his own memorandum with the exception of the reserves which he had expressed in section II of our memorandum. I said that in certain quarters his approach might be misunderstood as a means of finding a formula for recognition of the Argentine before adequate guarantees and security had been secured. I said to the Minister that we did not wish to go to the point of approaching the Argentine Government with a proposal which would appear to be a preliminary to recognition and that we did not wish to be put into the position of approaching the Argentine regime with a formula which would have the appearance of a promise for recognition.

The Minister said that he was glad that we had stated this point so strongly in our memorandum which he had just read for he did not have in mind in his memorandum the seeking of any formula to make recognition possible but rather a constructive procedure through which the Argentine could attend a meeting of Foreign Ministers and through which she could be permitted to participate and that recognition was a secondary and probable later consideration.

I will not in this telegram go into the full detail of the conversation, but at the close thereof, Dr. Padilla agreed that I could say the following to the Department.

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[36] Not printed.

[37] Not printed, but for translation of memorandum of November 8, which was a restatement of the earlier memorandum, see telegram 1404, November 8, 8 p. m., from Mexico City, p. 39.

1. He considered our memorandum a very constructive contribution to this problem as clearly expressing the thought of our Government and it was, in his opinion very well worded and effective.

2. He wished it to be clear that the matter of recognition was not and is not a primary purpose of his memorandum and that he was not looking for a formula of any kind, but that he was seeking for a substantial definition of the Argentine position and there was no better way of defining it than to go to her people and get an expression of the will of her people. He did not consider that there was any essential difference between the Department and himself either as to principle or as to procedure.

3. As matters stood there were two principal points which stood in the way of a solution, the first being the obvious reluctance and so far, abstinence by the Argentine regime to carry through the commitments undertaken at Rio, and second, lack of confidence in the Argentine regime which in no way expresses the will of the Argentine people and which is a purely arbitrary military regime. The Minister said his memorandum was purposely couched in such a way as to constructively overcome these two obstacles.

4. There was definite need to follow out consultation energetically among the other American Republics with the exception of the Argentine. He said that he considered that the Department's memorandum and his had adequately defined the situation and provided an excellent basis for further consultation.

5. In his opinion it was necessary to proceed with quick, continuous and energetic action before every Foreign Ministry of the Americas, so as to stop any misinterpretation of any aspect of the situation and to overcome any weakness in the attitude of any of these ministries with respect to a firm attitude concerning the Argentine. He said through this consultation it was necessary to find a way to reconstruct American unity.

The Minister said that he would prepare a further memorandum which he would present to me and to the other American Chiefs of Mission here, he hoped, tomorrow. He would be able to proceed in this memorandum on the basis of his own original memorandum and our reply, which was the first which he had received, and which would be most helpful.

He went on to say that he felt certain that his memorandum and ours which he had just received disposed of any possibility of a meeting of the American Ministers of Foreign Affairs to discuss the Argentine situation as the Argentine had proposed.

He felt that a meeting of Foreign Ministers to discuss these postwar problems was of the utmost importance and if the Argentine took appropriate action she could be there, and if she didn't she couldn't be there. He had put forward the possible date of February 1st for the meeting so as to provide ample time for adequate developments to occur to make this possible.

The Minister said that he had always been concerned by this thought which was being put forth so actively by some that your

government was not really interested in getting the Argentine back fully into the American picture. I assured him that there was no doubt about our own desires in this connection and our own recognition of the desirability of making the Argentine a fully cooperating member of the American community. The Minister said in that case the question was to find a procedure by which this could be accomplished and he thought the consultations which could now take place by him and by us with the other American Republics would bring understanding and agreement and adequate pressures on the Argentine. He stated that he hoped that there would be the fullest consultation and constant communication between him and us, as he wished to work in the closest harmony with us as he was confident there was no difference between our fundamental points of view, and that therefore there would be no fundamental difference in our views as to procedure.

He was particularly pleased to know that the Department was contemplating sending, if it had not already sent, a telegram to our Chiefs of Mission emphasizing that on the whole there was little difference between our telegram and his memorandum with the exception of our reserves expressed in section II of our telegram.

I am preparing a despatch to supplement this telegram which will go forward by the first airmail.

MESSERSMITH

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710 Consultation (4)/11–1444 : Telegram

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

MEXICO CITY, November 14, 1944—5 p. m.
[Received November 15—1 :28 a. m.]

1423. Immediately after the conversation with Armour and Spaeth this morning commenting on my telegram No. 1417 of November 13, 6 p. m., I telephoned Padilla and found that he had with him the Chiefs of Mission of the other American Republics to whom he had already delivered the memorandum to which he had made reference yesterday. He said that he had sent me a copy of his new memorandum early this morning, which I told him I had not yet received, and I did not in fact receive it until 1 o'clock through lack of diligence of Foreign Office messengers.

I called on Padilla early this afternoon and conveyed to him the observations which Armour and Spaeth had made to me on the telephone this morning. He expressed regret that he had already delivered this memorandum to the other Chiefs of Mission when I telephoned him as he would have been very glad to withhold it, but he thought that the Department would find the memorandum entirely satisfactory.

Transmitted by separate cable No. 1424 dated November 14, 6 p. m.,[39] is a translation of the memorandum which he delivered to me and to the other Chiefs of Mission of the American Republics here today, and which the Ministry is also forwarding by cable to the Mexican Chiefs of Mission in the American Republics, with the exception of the Argentine, for presentation to the respective Foreign Offices.

More full report supplementing my telegram No. 1417 of November 13, 6 p. m., has been transmitted by air mail in my despatch No. 21401 of that date.[40] In order to make sure that I expressed accurately the thought of the Minister, I read to him today beginning with the third paragraph on page 5 and ending with the first paragraph at the top of page 7.

With reference to the conversation with Armour and Spaeth this morning I wish to repeat that I do not see clearly just what procedure and objectives we are driving at, and I think the same confusion of thought exists in the mind of the Minister here and may exist in those of my colleagues and some of the Foreign Ministers of the American Republics. The Minister is presenting a definite program of procedure which he believes is constructive and which has the definite object of reestablishing real continental unity, but he, as little as we, is disposed to do it with any sacrifice of principle, security, or dignity. If we are not in accord with the procedures which the Minister is suggesting it will be necessary for us to more clearly define the procedures and objectives we have in mind, for the feeling which already exists that we have no real program will become strengthened, and there will be increased confusion rather than progress toward a satisfactory and adequate settlement of this dangerous and import[ant] question. I should be glad to have by telegram as precise as possible a statement of the constructive procedures we have in mind for my guidance and that of the Minister here, whose one desire is to be helpful and to collaborate with us if he can do so. Spanish text of the Minister's last memorandum follows by air mail.

MESSERSMITH

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710 Consultation 4/11–1444 : Telegram

The Ambassador in Mexico (Messersmith) to the Secretary of State [41]

MEXICO CITY, November 14, 1944—6 p. m.
[Received November 15—6:44 a. m.]

1424. "The Ministry of Foreign Relations has read very carefully the memorandum of the Embassy of the United States of the 13th of

[39] *Infra.*
[40] Not printed.
[41] For an explanation regarding the text transmitted in this telegram, see third paragraph of telegram 1423, November 14, 5 p. m., *supra.*

this month and is happy to learn that the Government of the United States shares the opinion of that of Mexico on the importance of the American Republics holding a meeting to discuss various problems related with the post war.

The Ministry also takes note with satisfaction that the Department of State continues disposed to carry on consultations with the other American Foreign Ministries over the Argentine case, as well as with respect to other matters of general interest. Experience is demonstrating the utility of this system of consultation, which system should be applied to the problems of continental interest, strengthening through them these interests to the benefit of all of our Republics.

For its part the Ministry of Foreign Relations is in agreement with the statement in the memorandum of the United States in that there should not be sought an appearance of continental unity, but that this unity has to be real and effective between governments as well as peoples of this hemisphere. There have not escaped the attention of the Embassy those paragraphs of the memorandum of the Ministry of November 6 in which the Ministry sets forth precisely this point of view.

The Ministry further agrees that it is not a question of negotiating a formula with the sole objective of reaching at a recognition of the Argentine authorities, nor of looking for the appearance of collaboration by that Republic, but of reaching a conviction that collaboration is effective and sincere.

Having made these observations, the Ministry expresses the opinion that the best form of replying to the memorandum of the United States is in setting forth, in supplementary terms, the fundamental idea which was contained in the memorandum of the Ministry of November 6.

(1) The fact that the Ministry has indicated that in its opinion a meeting of Foreign Ministers to consider the Argentine initiative carries with it a danger for continental unity in [no?] manner indicates that the Ministry opposes itself to the holding of such a meeting. In fact all that the Ministry has wished to emphasize is the following: It is preferable in the interests of continental unity that that which would have to be studied in the meeting be considered—given the so delicate nature of the problem—in a discreet form between the Ministries and not in the necessarily solemn and spectacular circumstances of a meeting of Foreign Ministers.

(2) What is actually under consideration by the Foreign Ministries of the American Republics is the unity of the continent, its present and its immediate future.

(3) Relations with the Argentine is secondary, whether it takes place before or after the conference referred to, or whether it takes place before the Argentine people have had an opportunity to express their sovereign will.

(4) The principal obstacle to continental unity in the present moment lies in: first, in the failure of fulfillment by the Argentine authorities of the understandings subscribed to at Rio de Janeiro, and second, that the men who actually are in power in the Argentine are the creator of this situation.

(5) It is therefore in view of the foregoing desirable to find a solution to these two aspects of the problem, seeking the fulfillment of the obligations not carried through and suggesting the carrying through of acts through which the Argentine Government re-acquires the confidence of all the governments of this continent.

(6) It is not a question of exercising pressure on the Argentine authorities nor of intervening in the internal affairs of Argentina. It is for these to determine whether they are disposed to give to the Argentine people—through the application of constitutional procedures—the opportunity of deciding in accord with a tradition which long has honored that country, if it desires to reintegrate itself in the American commuity.

(7) We should make every effort to reach a precise solution, and to this end agree on one of the following alternatives: the reincorporation of the Argentine into American solidarity, or the conclusion, unanimously arrived at by the remainder of the American Republics, that steps in this direction are premature.

It is toward the foregoing that the proposal presented by the Ministry of Foreign Relations tends, a proposal which is no more than a project submitted with the best of intentions for the study of the other Foreign Ministries of the Americas. It is for all of these to determine: (*a*) if there is to be held or not the meeting of the Foreign Ministers which the Argentine Government has requested; (*b*) if such a meeting should be held to study postwar problems with the understanding that at the end an Argentine representative would be heard; (*c*) if it is preferable that there should take place an interchange of views and eventually negotiations to the end of examining the possibility of reaching a satisfactory continental agreement on the Argentine question; and (*d*) to hold a meeting of Foreign Ministers—which according to the opinion of this Ministry could take place at the latest on February 1, 1945—with the presence of the Argentine, if from the preceding negotiations there arises an understanding with that Republic.

Of the alternatives above set forth, which naturally do not include others which the American Ministries may wish to present, the Ministry of Foreign Relations reiterates its preference for the last two, which if accepted might give bases on which the American Republics would be in the position of resolving a question which is of equal interest to all."

MESSERSMITH

710 Consultation (4)/11–1644 : Telegram

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

SANTIAGO, November 16, 1944—1 p. m.
[Received 2:38 p. m.]

1798. Department's circular November 14, 7 p. m.[42] Memorandum handed Foreign Minister November 14. He read it aloud and expressed his personal satisfaction without [*with our?*] point of view but said he would discuss it with President and Vice President. He emphatically expressed approval of plan that Argentina present its case at conclusion of conference on postwar and peace matters and not at beginning.

BOWERS

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710 Consultation (4)/11–1744 : Telegram

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

MEXICO CITY, November 17, 1944—5 p. m.
[Received November 18—1:29 p. m.]

1441. I have just returned from a long conversation with Padilla on the Argentine on the basis of the Department's telegram to me of yesterday[43] and the conversation which I had with Armour and Spaeth this morning. I gave Dr. Padilla the substance of the Department's telegram and said our position remained that it was preferable to have a meeting to discuss postwar problems without the presence of the Argentine as long as the present people remained in control of the government.

Padilla said that the most negative consequence we can have of the recent situation and of the steps which we and he have taken is confusion and that inaction will lead to confusion. He fears this confusion among the other American Republics. The only reply he has had so far is from Venezuela, which this morning delivered a memorandum to him to the effect that Venezuela favored a conference to discuss the Argentine situation and possible problems. The Chilean Ambassador will be received by him at his request this evening and Padilla believes he will bring the preliminary reply of Chile, the nature of which he cannot accurately surmise.

Padilla believes that we must emphasize principles and hammer these home, and principally these two points:

1. The fulfilling of the commitments by the Argentine not complied with, and
2. The calling of elections.

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[42] Not printed. This circular authorized the presentation of the text contained in the circular of November 12, for which see telegram 2006, November 12, 11 a. m., to Mexico City, p. 43.

[43] Telegram 2024, November 16, 1944, 2 p. m., not printed.

He says, in his opinion, if we hammer on these two points nothing will weaken the present Argentine regime more. He says that if we can get the acceptance by the Argentine regime of these two points, through the insistence of all the other American Republics on them, then the actual presence of the Argentine at a meeting to discuss postwar problems can be a question of further discussion among the American Republics. He says that if we can get full compliance by the Argentine regime of the above two points then presence of the Argentine in a meeting of Foreign Ministers to discuss postwar problems would depend on the way that the Argentine is carrying through the above points. If, for example, they should fix the elections for some distant date, and not for a near date, it would be a bad sign and everyone would realize and agree that the Argentine could not be at a meeting.

Padilla asked me to say to the Department that he believed the Department should now send to our Chiefs of Mission a telegram to the effect that we accept the two central points of the Mexican memoranda, which are set forth in this telegram above as points 1 and 2, and that our Chiefs of Mission should so inform the respective Foreign Offices. He believes that this will stop confusion which may develop and will be very embarrassing to the Argentine regime. He says that if all the governments will agree to accept these two central points in the Mexican proposal, then consultation on further steps can go on from there. He believes that these two points of the Mexican proposal, if fortified and emphasized by our approval expressed to the other governments, will prevent confusion and keep the consultation in constructive lines.

He said there was already some confusion with respect to the Mexican attitude due to press statements made yesterday which did not accurately present the Mexican proposal, and that he might have to make some statement to the press in the next 2 or 3 days.

. . . . . .

I think it is very important at this time that we emphasize to our Chiefs of Mission and to the other American Republics that we agree with Padilla on these two points.

Padilla is leaving for Monterrey and northern Mexico on official business Saturday evening and will be away from Mexico City for perhaps 8 days, but I can remain in constant touch with him. If the Department is agreeable to sending a telegram to our Chiefs of Mission covering the two points which Padilla has suggested, he would like to know before he leaves tomorrow evening, so he can also send a telegram to Mexican Chiefs of Mission.

MESSERSMITH

599-037—67——5

710 Consultations (4)/11–2044 : Telegram

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

RIO DE JANEIRO, November 20, 1944—7 p. m.
[Received 11:18 p. m.]

4136. Department's circular November 18, 10 p. m.[44] Velloso[45] remarked to me today that both President Vargas and he feel that it would be a mistake to hold any conference of Foreign Ministers in the near future as the Argentine problem would be preeminent in spite of plans to the contrary, causing added confusion and dissension. With respect to postwar economic plans, they consider that for some time to come the American Republics will not be sufficiently prepared to present positive views on this subject. Velloso added, however, that if our Government should decide to support a meeting, the Brazilian Government would agree but that he hoped our Government would find some way of delaying the conference for an indefinite period.

Velloso said that President Vargas has not yet authorized him to reply to Padilla.

DONNELLY

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710 Consultation (4)/11–2044 : Circular telegram

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

WASHINGTON, November 20, 1944—7 p. m.

For your personal and confidential information there follows a summary of views expressed to date by other American Republics with respect to meeting of Foreign Ministers on war and post-war problems and Argentine request for meeting to consider Argentine situation.

Bolivia. Will be guided by position adopted by Chile and Paraguay.

Brazil. Entirely approves United States position.

Chile. Foreign Minister has expressed agreement with our position and stressed point that any consideration of Argentine case should come at conclusion and not at beginning of meeting of Foreign Ministers.

Colombia. Colombian Government announced publicly on October 31 that it favored acceptance of Argentine request. No reply yet to Mexican proposals or to our memorandum.

Costa Rica. Firmly opposed to acceptance of Argentine request. No comment yet on Mexican proposals or our memorandum.

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[44] Not printed.
[45] Pedro Leão Velloso Neto, Brazilian Acting Minister for Foreign Affairs.

Cuba. Strongly approves our position, characterized by Foreign Minister as "sound, rational and perfect."

Dominican Republic. Our Embassy reports that Dominican Government will undoubtedly adopt our position.

Ecuador. Favors acceptance of Argentine proposal. No reply yet to Mexican proposals or to our memorandum.

Guatemala. Will support our position.

Haiti. Will support our position.

Honduras. Is in entire agreement that a meeting should be held of the Foreign Ministers of American Republics which have cooperated in war, in conformity with terms expressed in our memorandum.

Nicaragua. In complete accord with our views.

Panama. In memorandum handed to chiefs of American missions in Panama on November 16 the Foreign Minister proposed alternative procedure both to Mexican proposals and to procedure suggested in our memorandum. Panamanian proposal is that meeting of Foreign Ministers be scheduled for indefinite date; that 15 days prior thereto the American Republics consult to determine whether or not Argentina should be permitted to participate; that if no unanimous affirmative decision is reached, consideration of Argentine problem at meeting be confined to resolution expressing hope of eventual reincorporation of Argentina in American family of nations and stating conditions with which she must first comply. Foreign Minister agrees with Padilla that open discussion of Argentine situation in meeting of ministers would involve risk of dangerous dissension. Our Embassy reports that Foreign Minister is making statement today to rectify press report that Panama favors recognition of Farrell regime.[46]

Paraguay. Foreign Minister has expressed opposition to a discussion of Argentine situation at a meeting of ministers, and has suggested that an investigating committee representing the other American Republics be empowered to visit Argentina to investigate situation on the spot.

Peru. Foreign Office has indicated opposition to discussion of Argentine situation at meeting of Foreign Ministers and general support of United States position. No definitive reply as yet to Mexican proposal or to our memorandum.

Uruguay. Foreign Minister has informed our Embassy that Uruguay favors meeting requested by Argentina. Has promised reply to our memorandum within a few days.

Venezuela. Originally concurred with Colombia in favoring acceptance of Argentine request for meeting. After preliminary study of our memorandum Foreign Minister considers our views not in-

[46] For an amplification of this explanation, see telegram 641 from Panama, *infra.*

compatible with possible solution of Argentine problem. He feels strongly that conversations on Argentine question should be continued and no irrevocable decision be hastily taken even though conversations might be prolonged.

Mexican position is, of course, as stated in Department's circulars of November 12, 6 p. m.,[47] and November 16, 6 p. m.[48]

Up to now we have proceeded slowly and carefully in order to avoid any appearance of seeking to impose our views. The other American Republics have had every opportunity to express their opinions and to suggest procedures. In stating our own position we have emphasized an attitude of cooperation and avoided giving the impression of intransigence. We now feel, however, that the time has come to press our views directly and energetically in an effort to obtain general agreement with the other American Republics on our position. This was the purport of our circular telegraphic instruction of November 17, 3 p. m.[48]

STETTINIUS

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710 Consultation (4)/11–2044 : Telegram

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

PANAMA [undated].

[Received November 20, 1944—10:40 p. m.]

641. The following clarifying statement was made today by the Foreign Minister[49] to the AP, UP and the *New York Times* correspondents and in reply to a question the Minister emphasized that the plan is a 100 percent Panamanian plan.

"The Ministry of Foreign Relations had not up to the present time given to the press any data concerning the point of view of the Government of Panama with respect to the request of the Government of Argentina that the American nations should decide about the Argentine situation because the Ministry desired to keep the affair in confidence in order that the respective Foreign Offices might be able to exchange ideas in an atmosphere of complete serenity.

However, some news agencies during recent days have published in several newspapers of the continent information which does not summarize accurately the Panamanian proposal because these news reports are more than anything else a summary of comments obtained from unofficial sources. Therefore, the Ministry of Foreign Relations, changing from that course which had been outlined, finds itself under the obligation of publicly explaining the opinion stated by the Panamanian Government about the Argentine problem in its memorandum to the American Foreign Offices, and declares that the said memorandum is summarized as follows:

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[47] Not printed, but see footnote 26, p. 39.
[48] Not printed.
[49] Roberto Jiménez.

(1) The Government of Panama is in agreement that it is necessary and convenient to hold a conference of American Foreign Ministers but not for the purpose of dealing with the case of Argentina but in order to discuss the various fundamental problems of the continent—political as well as economic—and those of any other basic character, with a view to the postwar period.

(2) In the opinion of the Panamanian Government it is not absolutely necessary to fix beforehand a date for the conference of Foreign Ministers, since this point is not the essential one for the development and the success of that conference. Perhaps it would be more advantageous to prepare a joint agenda of practical character and not of more or less vague terms, but along concrete lines, in order that such agenda may be studied by each one of the American countries with the greatest interest and in consideration of the very important problems listed in the said agenda. When that agenda already may be under study by the various American governments an agreement would be reached regarding the date of the conference and the place of the conference.

(3) The Republic of Panama, like all the other nations of America, holds the hope that the Argentine Republic may assist at the referred to conference of Foreign Ministers. Therefore, Panama considers that Argentina should form part of the conference if the Government of that country observes, with due anticipation, emphasized acts which may signify a radical change with respect to the course of action followed up to the present time and which shall be evidenced by the exact compliance with the obligations acquired in Rio de Janeiro and in the other American conferences.

(4) Prior to the conference of Foreign Ministers there will be carried out a consultation among the Foreign Offices in order to decide if the Argentine Republic has followed the line of conduct referred to in the foregoing paragraph and may be considered, therefore, as an integral part of American unity and as resolutely affiliated with the democratic cause which America follows. If the unanimous conclusion is reached that the new inter-American policy of Argentina merits the approval of the other nations of the continent, the latter will proceed to recognize the Argentine Government and the Argentine Republic will be able to attend the conference of Foreign Ministers like any of the other American states.

(5) If the conclusion is adverse there only will be consideration of the Argentine case at the conference of Foreign Ministers in order to make a statement of the common hope that Argentina may return to form part of the great continental family. In the statement which may be formulated in this respect, the American nations will express in categorical form the measures and the acts which still should be carried out by the Argentine Republic in order that that general hope may find fulfillment and in order that Argentina may take part in future Pan-American meetings.

The Government of Panama has proposed the formula set forth in the five foregoing numbered paragraphs in the conviction that the

formula will avoid useless and even disruptive efforts and at the same time will give to Argentina ample opportunity to enter frankly and openly into the common American nucleus as is the greatest desire of Panama and of the other continental nations."

WARREN

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710 Consultation 4/11–2344: Telegram

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

MONTEVIDEO, November 23, 1944—5 p. m.
[Received 8:32 p. m.]

1106. Following is close translation of confidential memorandum just delivered by Uruguayan Foreign Office.

The Government of the Oriental Republic of Uruguay, having considered the request made by the Argentine Government that there be held a consultative meeting of the American Foreign Ministers as well as the very enlightened points of view [which?] in this respect have been made known to it by the Governments of Mexico, the United States of America and Panama, sets forth its opinion in the following manner:

First. It shares the idea of holding a consultative meeting because it considers extremely useful the periodical holding of such meetings and because in view of the long period of time elapsed since the last one there have developed new and important problems of continental interest susceptible of being satisfactorily elucidated by the said procedure. Thus in its opinion the system of consultations instituted and organized by various conferences would be kept alive and fully efficacious.

Second. Among the problems that Uruguay considers that the said meeting should study in case it is held it points out the following:

I. Plans and projects for international organization and the establishment of a system capable of maintaining peace and security in the post war period.

II. Measures for cooperation of the American States in the victory over the Axis powers in the present and definitive phase of the world conflagration.

III. Forward looking norms regarding post war immigration designed to prevent the establishment in the American countries of Nazi-Fascist elements—individuals, groups, capital, et cetera—capable of constituting a danger to the democratic systems and a possibility of reaction of the systems and countries which surely will be defeated in the present war.

IV. Study of a pact of mutual guarantee of the political independence and territorial integrity of the American nations,—complementary to provisions in this sense already existing in American law,—and its due coordination in the system of world security.

In this respect the Uruguayan Government has already had occasion to state that it desires and proposes that there be ex-

pressly consecrated and so related as to confer maximum efficiency "the obligation to uphold even by force of arms the integrity of the rights and boundaries of the American countries attacked or menaced" to which it added that in case a nation is menaced or attacked the international organization should compel recourse to one of the pacific means of solution of conflicts and failing this defend the country attacked with the armed forces at its disposal and duly punish the aggressor.

V. Establishment of an active economic cooperation among the American countries to encourage the development of their respective industries, to augment commercial interchange and to raise the living conditions of the peoples of the continent.

Third. With regard to the request of the Argentine Republic the Government of Uruguay deems it expedient that the Government of that country be heard prior to holding the consultative meeting since, in the event of reaching a solution involving the alignment of Argentina alongside her sisters of the continent, the decisions that might be adopted at the said meeting could be based on the participation and adherence of all of the members of the Pan American Union.

In this way an opportunity would be afforded the Argentine Government to explain the orientations and acts of its foreign policy to the Foreign Ministers of the states of the continent; the situation of the said Governments with respect to the majority of the American countries would be studied and considered directly and fully; and there would be sought through effective commitments and efficacious measures the reestablishment of complete unity of thought and action of the peoples of America for the defense of the hemisphere, collective contribution in the struggle against the Axis powers, and elucidation of the political and economic problems connected with the post war [period].

From the consideration and clarification of such questions there would be derived in the judgement of Uruguayan Government results beneficial to the political and spiritual interests of the continent because the resolution that might finally be adopted whatever it might be would be based on the prestige of the very sources of its origin, the guarantees of its adoption, the procedure followed for consecrating it, and the atmosphere of full and free expression of facts, information and opinions from which would emerge its spirit and its text.

Montevideo, November 23, 1944.

DAWSON

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710 Consultation 4/11–2544 : Telegram

The Acting Secretary of State to the Chargé in Argentina (Reed)

WASHINGTON, November 25, 1944—7 p. m.

1710. The possibility exists of a conference of Ministers of Foreign Affairs of the American republics to be held in the near future. It now seems probable that the question of Argentina's compliance with inter-American commitments will be discussed and it is highly important that Department be fully prepared.

The Embassy should therefore immediately commence to organize all pertinent information. Particular emphasis should be placed upon the development of all specific instances in which it can be clearly shown that Argentina has failed to prevent undesirable external transactions contemplated by Rio Resolution V [52] and Washington Resolutions,[53] such as remittances to and from enemy territory and commercial or financial intercourse with Axis or Axis-dominated territory.

In the near future several persons who are familiar with Argentine financial controls will be sent to assist the Embassy in preparing a complete report.

You will be informed as to when the contemplated mission may be expected to arrive.

STETTINIUS

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710 Consultation (4)/11–2344 : Telegram

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

WASHINGTON, November 26, 1944—1 p. m.

678. Reurtel 1106, November 23, 5 p. m. The Government of the United States notes with interest the views expressed by the Government of Uruguay with respect to the proposed meeting of Foreign Ministers to discuss urgent war and post-war problems. The agenda suggested for that meeting by the Uruguayan Government is a most helpful contribution and we are confident will be so viewed by other American Republics.

We deeply regret, however, that there appears to be a fundamental difference of opinion between this Government and the Government of Uruguay with respect to the Farrell regime.

The memorandum of the Uruguayan Government, which we understand has been transmitted to the other American Republics, seems to make it clear that in the judgment of the Uruguayan Government the Farrell regime should be invited to participate in a meeting for the discussion of urgent war and post-war problems on the basis of "effective commitments and efficacious measures" which would presumably be given and adopted by that regime during the next few weeks and before a Meeting of Ministers.

It had been our understanding that the Government of Uruguay had agreed with the view of this Government that the Farrell regime constitutes a threat not only to effective realization of the war objec-

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[52] For the text of Resolution V, which concerned the severance of commercial and financial ties with the Axis, see Department of State *Bulletin*, February 7, 1942, p. 124.

[53] For texts of 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, 1942).

tive of complete liquidation of Nazi power in the Americas, but also to the future peace and security to the Hemisphere. We believed that Uruguay's appreciation of the character of this threat had been strikingly demonstrated when the President [54] and Foreign Minister,[55] requested and promptly received unqualified assurances that the Government of the United States would immediately render both economic and military assistance in the event of reprisals against Uruguay by the Fascist-military regime of Argentina.[56]

The change of policy by Uruguay on the Argentine problem as expressed in the memorandum is in our judgment particularly to be deplored because of the position of leadership which Uruguay has occupied during the war years, both in the fight against Nazism and also in the struggle against all forces working for the destruction of democratic principles.

In order that we may be entirely clear as to the position of the Uruguayan Government, you are instructed to convey the foregoing thoughts to the President and Foreign Minister at the earliest possible opportunity and submit to them the following inquiries:

1. Are we correct in our interpretation that Uruguay would be prepared to base recognition of the Farrell regime, at least in part, on "commitments" in the sense of promises or assurances by that regime?
2. What types of "effective commitments and efficacious measures" of the Farrell regime would suffice, in the judgment of the Uruguayan Government, to justify recognition?
3. Are we correct in our understanding that Uruguay recommends that the hearing requested by the Farrell government be made the first item on an agenda of a consultative meeting to consider war and post-war problems?
4. In the event that a majority of American Republics conclude, after such a hearing, that Argentina has not complied with its commitments, is it the view of the Government of Uruguay that the Farrell regime should not be permitted to participate in the subsequent discussion of urgent war and post-war problems, and that the Foreign Ministers would formally exclude Argentina from such participation?

In submitting the foregoing questions you should emphasize the urgency of the matter and our hope that it will be possible for the Uruguayan Government to assist us with the requested supplementary information on its position at an early date.

. . . . . .

STETTINIUS

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[54] Juan José Amezaga.
[55] José Serrato.
[56] For correspondence concerning United States military assistance and economic aid to Uruguay in this circumstance, see pp. 1591 ff. and pp. 1607 ff., respectively.

710 Consultation (4)/11–2744 : Telegram

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

CARACAS, November 27, 1944—2 p. m.
[Received 10:18 p. m.]

1118. I have arranged for an appointment with Parra Pérez in the course of which I shall endeavor to secure favorable action along lines of Department's 909, November 25, 9 p. m.[57]

However, in order to clarify the record, I wish to call to Department's attention that the second sentence in my telegram 1110, November 22,[57] reading "the judgment of this Government is in complete accord with our own" referred only to the concluding sentence of first paragraph of Department's circular of November 21[57] which reads: "It is our judgment that confusion can best be avoided if the several Governments will refrain from communicating their replies to the (Pan American) Union until a consensus has been reached".

The actual reply which is being held up in the Venezuelan Embassy in Washington, gives a lengthy exposition of the Venezuelan Government's views and instructions their member (Ambassador Escalante) to vote in favor of the Argentine proposal.

Incidentally while attending a recent theatrical performance featuring an Argentine musical artist, I was much struck by the spontaneous and enthusiastic acclaim demonstrated by the Venezuelan people in general, particularly in the gallery. This pro-Argentine sentiment is not related to political developments, but strongly indicates that the Venezuelan populace would be responsive to propaganda friendly to Argentina, which might cause an exceedingly embarrassing political situation for the Venezuelan Government, an eventuality which it would try to avoid.

CORRIGAN

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710 Consultation 4/11–2844 : Circular telegram

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

WASHINGTON, November 28, 1944—7 p. m.

The exchange of views among the American Republics with respect to the proposal for a meeting of Foreign Ministers has progressed to a point which, in the judgment of this Government, suggests the desirability of a review of developments and a determination of a future course of common action.

(1) It is gratifying to note that the fact which stands out above all others in the views thus far expressed is the unanimous desire to

[57] Not printed.

arrive at a consensus before any replies are made to the Governing Board of the Pan American Union. It is recognized by all of the interested governments that it is of fundamental importance that they arrive at a unanimous agreement on this problem of common concern.

(2) There has been similar agreement on the proposition that, at as early a date as may be possible and mutually agreeable, there should be held a meeting of Ministers of the republics which have collaborated in the war effort. Practically all of the Republics agree that there are important matters relating to the prosecution of the war, as well as to the post-war, which require consideration at a meeting of Ministers.

(3) With respect to the request of the Farrell government that the question of Argentina's international position be considered at a meeting of Ministers, there has been a sufficient indication of views to serve as a basis for discussion looking to common agreement.

It is true that some governments, including this Government, are very doubtful as to the utility of a trial of the Argentine case in the forum of a Meeting of Ministers. Some of the governments have also taken the position that until there is a clearly demonstrated fundamental change of attitude on the part of the Farrell government, any discussion of the Argentine question would be of little utility, and should certainly not be permitted to cause a postponement of a meeting on urgent war and post-war problems. On the other hand, there is a disposition on the part of other governments to state the case with respect to Argentina's international situation either by means of negotiations through ordinary diplomatic channels, or at a Meeting of Ministers.

It is important to stress that in no instance has there been a categoric stand by any government. Rather, in the spirit of inter-American collaboration, the governments have reiterated their decision to continue consultations with a view to a true consensus.

(4) Although the Government of the United States considers that very real progress has been made toward reaching such a consensus, it also believes that there is danger of unnecessary confusion if the consultations are unduly prolonged. It is therefore our earnest desire to reach an agreement with all of the other republics prior to the next meeting of the Governing Board of the Pan American Union on December 6, or as soon thereafter as possible.

To this end the Government of the United States proposes that the following action be taken by the Governing Board of the Pan American Union:

1. Approval of the proposal for a meeting of Foreign Ministers of the Republics which have cooperated in the war effort, to discuss urgent war and post-war problems, without, however, fixing a definite date for the meeting.

2. Appointment of a subcommittee by the Governing Board of the Pan American Union with instructions to fix a date for the meeting after consultation with the respective governments.
3. Disposition of the Argentine request for a hearing on its international position by addressing a communication to the Farrell regime in which the other republics state that they are prepared to hear the case of that regime, subject to appropriate procedural safeguards which will ensure full and free consideration of the fundamental issues.

With respect to point 3 of the suggested action, this Government continues to entertain serious reservations with regard to the utility of such trial of the Argentine regime. However, we reiterate our readiness to grant such a hearing at the close of the meeting, if this is desired by the other republics.

You are requested to present the foregoing contents of this message to the Foreign Minister in a memorandum and to state that if his Government is prepared to support the course of action suggested, it so inform the other American Republics as well as the representative of his Government on the Pan American Union as promptly as possible. If the consensus of the American Republics favors the procedure outlined, it is hoped that this decision can be taken in time for appropriate action by the Governing Board of the Union on December 6.

You will of course adapt the foregoing instructions to the views already expressed by the Government to which you are accredited.

STETTINIUS

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710 Consultation 4/11–2944 : Telegram

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

CARACAS, November 29, 1944—7 p. m.
[Received November 30—2:15 a. m.]

1127. The Minister for Foreign Affairs has now sent me a written reply in a memorandum of today's date confirming the information furnished in my Number 1122, November 28, 6 p. m.[59] to the effect that (1) Venezuela will attend a meeting of Foreign Ministers of the American Republics cooperating in continental defense to consider war and post war problems and (2) that Venezuela has reached the conclusion that in view of the divergencies existing between the American Chancelleries it would be preferable that the Pan American Union not decide definitely about the Argentine request at its next session and that the private consultations between the Governments concerning "the question of relations with Argentina" continue as previously suggested.

[59] Not printed.

The memorandum added that this opinion will be stated in the reply of the Venezuelan Government to the Governing Board of the Pan American Union and added that it is to be feared that an immediate deliberation of the Board on Argentina's request could but result negatively with consequent danger as the consultative procedure or the holding of a conference in an unfavorable atmosphere both of which situations should be avoided. The memorandum adds that accordingly point numbered 2 need not be considered and that furthermore the Minister doubts Argentina's acceptance of such procedure and whether other American Governments would support it.

The Minister requests me to transmit to the Department the sentiments of frank cooperation which animate the Government of Venezuela and its desire to help by all means in its power to clarify the situation and to serve the cause of solidarity and common interests of the American countries.

CORRIGAN

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710 Consultation 4/11–3044 : Telegram

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

MONTEVIDEO, November 30, 1944—1 p. m.
[Received 11:05 p. m.]

1129. Minister for Foreign Affairs handed me this morning a confidential memorandum of which the following is a close translation:

. . . . . .

The opinion expressed by the Uruguayan Government with respect to the Argentine request also responds in its opinion to the objectives stated.[60]

The Uruguayan Government deems it expedient that the Argentine Government be heard prior to holding the consultative meeting for the sole and exclusive purpose of affording it an opportunity to set forth the orientation and acts of its foreign policy in order to judge the position and foreign conduct of that Government and to resolve after exchanging information and opinions whether or not to align Argentina beside the other republics of the continent.

In the affirmative case there would be reestablished "complete unity of thought and action of the peoples of America for the defense of the hemisphere, collective contribution in the struggle against the Axis powers and elucidation of the political and economic problems connected with the post war period." [61]

In the negative case, that is if it should not be possible to align Argentina beside her sisters of the hemisphere, the resolution that might be adopted would acquire greater prestige even among the peoples of the continent and would prevent incidentally a malicious

[60] Set forth fully in a memorandum from the Uruguayan Foreign Office, quoted in telegram 1106, November 23, 5 p. m., from Montevideo, p. 60.

[61] Quoted from the statement of November 23, pp. 60, 61.

reaction on the part of the forces hostile to the policy of American solidarity which would exploit tendentiously the fact [of] a collective refusal to hear the defense of the Argentine Government.

The Uruguayan Government perceives no objection to hearing the Argentine Government prior to holding the consultative meeting nor does it conceive in any way that this procedure could impair or injure the policy and work of continental solidarity.

On the contrary, it believes that the said procedure has many advantages over that of considering the situation existing between Argentina and the other American Republics at the end of the consultative meeting since it does not perceive the benefits that would be derived from hearing the explanation of the Argentine Government after holding the consultative meeting when there would already have been adopted without its presence or collaboration agreements relating to the war and post war period if the said explanation should finally constitute in the judgment of the American Foreign Ministers the basis of a decision favorable to the alignment of Argentina with the political, spiritual and economic cause of countries of the continent.

Having made these observations the Uruguayan Government proceeds to furnish in their order the clarifications requested:

1. The Uruguayan Government in its memorandum of November 23rd did not refer in any way to recognition of the Farrell regime because it believes that the said problem could be raised and elucidated after considering and discussing the situation of the Argentine Government with relation to the other American Governments and adopting a decision with respect thereto. As respects the bases on which the maintenance of diplomatic relations with the Farrell regime could be founded the Uruguayan Government declares categorically that it would not accept insecure and vague promises but would require guarantees based on acts and realities.

2. The nature of the "effective commitments and efficacious measures" that should be demanded of the Argentine Government would be determined by the American countries which at the same time would also have to consider, in order to accept or reject them, those which the Argentine Government itself might propose to undertake and adopt. In this respect the Uruguayan Government believes that the Argentine Government would have to be required to guarantee, through acts which would be judged satisfactory because of their significance and importance, a resolute collaboration with the American Republics in the solution of the war and post war problems.

3. The reply to this point is in the negative. The agenda that the Uruguayan Government proposes for the consultative meeting is exactly that contained in its memorandum of November 23rd with neither more nor less points than those set forth in its text. The Uruguayan Government defines its thought completely by stating that it considers that the Argentine Government could be heard in an informal meeting prior to the consultative meeting. The procedure indicated could produce only these results:

> (*a*). If the explanation of the Argentine Government were not satisfactory that Government would not be invited to the consultative meeting and the respective resolutions would have the prestige and significance of a continental decision on the problem.

(*b*). If it were resolved to invite the Argentine Government, because of deeming acceptable the guarantees it might offer, there would be available its cooperation in considering and resolving the war and post war problems.

4. In the eventuality to which this point makes reference, the Uruguayan Government, in accordance with its antecedents of definite and active adherence to the policy of American solidarity, believes that if the conclusion should be reached that it is not possible to align Argentine beside the other American countries in a common front vis-à-vis the war and post war problems, the said country should not participate in the consultative meeting.

DAWSON

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710 Consultation 4/12–144 : Telegram

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

[Extracts]

QUITO, December 1, 1944—4 p. m.
[Received December 2—2 :37 a. m.]

1145. Department's circular telegram of November 12, 11 a. m.[62] The Embassy has just received from the Foreign Office a memorandum dated yesterday regarding Argentine situation, a translation of which reads as follows:

. . . . . .

It [the Government of Ecuador] believes as the United States Government states that the union of America must be a real, positive and well determined fact in order to avoid the pretense that would be involved in building the work of the American community on fictitious basis.

The Government of Ecuador is of the opinion that it should be an orientating force in the activities of all the governments of the continent at all times and especially in moments when it appears that the work of Pan-Americanism may be threatened.

It is within this orientation that the Government of Ecuador has desired to direct its policy with respect to the proposed conference of Foreign Ministers and the analysis of the Argentine case.

. . . . . .

In this [conference] which could be held on the date indicated by the Foreign Office of Mexico, Ecuador believes that there should be present the Foreign Ministers of all the American Republics because the importance of the problems to be solved demands their participation.

. . . . . .

If all the countries of our Continent participate as would be the case with a broad spirit of understanding and with a fervent desire of reestablishing Continental unity it would be easy to find the for-

[62] See footnote 31, p. 43.

mula which without wounding the sentiments of the parties and fully respecting their rights would produce the disappearance from America of a danger [*an obstacle*] which it is not hazardous to believe could put an end to American fraternity.

Furthermore, if the conference is to be held without the presence of one American Republic, in the concrete case of Argentina, it would not be hazardous to predict the probable failure of Pan-Americanism, and grave would be the responsibility of the countries which contributed to the destruction of the work produced by the united efforts of many generations.

For these reasons and bearing in mind that certain of the aspects of procedure proposed by the Foreign Office of Mexico might lead to an intervention contrary to the principles consecrated in the Pan-American Conference at Montevideo [63] and in the Conference of Peace at Buenos Aires,[64] it does not believe it possible to accept the points of view, which could run counter to it.

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SCOTTEN

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710 Consultations 4/11–2844 : Telegram

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

WASHINGTON, December 1, 1944—11 p. m.

2093. For Spaeth. [65] There follows summary of latest reactions from other countries.

Bolivia. Supplementing telegram of November 28,[66] Ambassador Thurston reports Chacón [67] following day repeated same statements and in reply to specific inquiry stated that (1) several efforts had been made without success to ascertain Chilean position, and (2) no pressure has been exerted on Bolivia by Argentina. He added that according to Bolivian Embassy in Lima Argentine diplomatic representatives have been instructed not to attempt to influence decision of other American governments.

Brazil. Velloso's initial reaction to course proposed in circular of November 28, 7 p. m. is favorable; he is endeavoring to see President Vargas and to reply to our memorandum by today. He has sent telegraphic instructions to Martins [68] to keep in touch with us and latter saw Armour yesterday.

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[63] The Seventh Pan American Conference, December 3–26, 1933; for correspondence concerning this Conference, see *Foreign Relations*, 1933, vol. IV, pp. 1 ff.

[64] The Inter-American Conference for the Maintenance of Peace, December 1–23, 1936; for correspondence concerning this Conference, see *ibid.*, 1936, vol. V, pp. 3 ff.

[65] Mr. Spaeth, on direction from the Department, was in Mexico City on this date conferring with Ambassador Messersmith.

[66] Telegram 1956, 10 a. m., not printed.

[67] Gustavo Chacón, Bolivian Minister for Foreign Affairs.

[68] Carlos Martins Pereira e Sousa, Brazilian Ambassador in the United States.

Chile. Fernández told Bowers yesterday that he personally favored all three points set forth in our circular of November 28, 7 p. m., that he will talk with the President [69] and is confident that he also will approve. He will not reply to Governing Board until consensus reached.

Colombia. Colombian Foreign Minister on November 29 informed our Chargé that he had no comment to make at this time on proposals in our circular of November 28, 7 p. m. but would advise him as soon as he had something definite.

Costa Rican reply to Pan American Union has been received by Ambassador [70] here with further instructions amending it to conform to proposals in our circular of November 28, 7 p. m. Ambassador is not submitting it to Governing Board since consensus cannot be reached before meeting on December 6th. We have not yet received word from our Embassy in San José.

Haitian government approves all points of our memorandum of November 28, 7 p. m., is so informing other governments, and instructing Ambassador [71] here to keep in close touch with us.

Paraguayan Foreign Minister [72] has communicated suggestion for investigating committee to visit Argentina to Chile, Peru, Uruguay, Brazil and Bolivia. He states Chile expressed interest. Chiriani also said he had reason to believe that Argentina would agree to receive such a committee. Beaulac [73] comments "It is clear to me that he has sounded out Argentina informally and Argentina's apparent willingness to agree may be significant."

In reporting talk with Fernández already mentioned, Bowers mentions gossip among colleagues that Paraguayan proposal of investigating commission will be adopted at Governing Board meeting on December 6th. Bowers also notes that on leaving Foreign Office he found Argentine Ambassador [74] waiting to see Fernández.

Montevideo reports Uruguayan Minister to Paraguay [75] has informed Serrato that according to one version Paraguayan proposal of investigating committee was suggested by Argentina. Serrato thinks this very unlikely because he cannot believe that Argentine regime would accept such an investigation.

Later telegram from Asunción reports Chiriano favorably impressed with formula (circular of November 28, 7 p. m.), will consult government immediately and reply at earliest possible moment.

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[69] Juan Antonio Rios.
[70] Francisco de Paula Gutiérrez.
[71] André Liautaud.
[72] Juan Horacio Chiriani.
[73] Willard L. Beaulac, American Ambassador in Paraguay.
[74] Carlos Güiraldes, Argentine Ambassador in Chile.
[75] Alfredo Carbonell Debali.

Peru. We have received summary of Peruvian memorandum from Embassy in Lima and Peruvian Embassy here. Full text not yet available. Summary covers three points:

(1) Meeting to discuss war and peace problems considered premature because conversations between great powers of United Nations not sufficiently advanced to determine role of American nations in future world juridical organization. Peruvian government considers that principles of Atlantic Charter [76] and the bases of the Dumbarton Oaks Conference should be completed by an economic agreement to be adopted in the forthcoming conferences on that subject.

(2) Consideration of Argentine question by meeting of Ministers would establish precedent of judging acts of a government which would be in contradiction to procedure adopted in the case of Bolivia and might prejudice sovereignty of states by means of collective agreements.

(3) Refers to proposal of Inter-American Juridical Committee in Rio de Janeiro [77] which is under consideration by the various Foreign Offices. For all the reasons indicated Peruvian government believes that the Foreign Offices should continue exchange of views and await result of forthcoming economic conference before calling a meeting, which under the present circumstances might make impossible an agreement based on the unity of the American nations.

Our Ambassador [78] reports that Solf [79] seemed favorably impressed by three points of our circular of November 28, 7 p. m., and in later telegram states he hopes to obtain approval of President Prado.[80]

Uruguayan memorandum on November 30 [81] attempts to answer questions raised in our telegram No. 678 of November 26. After discoursing at length on Uruguayan record of fulfillment of international obligations and lofty motives behind its proposed agenda for meeting of Foreign Ministers, etc., memorandum again argues in favor of hearing Argentine case before consultative meeting of Foreign Ministers. Stresses how unfortunate it would be if Argentine hearing comes at end of meeting, if the "explanation" given is found satisfactory, and Argentines have nevertheless been excluded from participation in agreements reached in meeting on war and postwar problems.

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In later telegram Dawson reports that Serrato approves three points of our circular of November 28, 7 p. m., and will so inform other American Republics and Ambassador [82] here. He inclines, however,

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

[77] The Committee proposed a preliminary organization of all the American States to study the possibilities of a new organization for peace.

[78] John C. White.

[79] Alfredo Solf y Muro, Peruvian Minister for Foreign Affairs.

[80] Manuel Prado Ugarteche.

[81] See telegram 1129, November 30, 1 p. m., from Montevideo, p. 67.

[82] Pedro Beltrán.

to include statement that Uruguay believes that, if granted, hearing should precede consultative meeting.

Amezaga [83] and Serrato "stick tenaciously" to their opinion on this point. They state Uruguay will, of course, go along if consensus is against their position. In conversation with Dawson Serrato suggested that hearing might be granted in an informal meeting to be held several days before the general meeting. You will note that this closely approximates the Panamanian suggestion. It may be desirable to make clear by emphasis on our intention to state our case fully and at length that suggestion of a brief "informal" meeting is quite inappropriate.

Venezuelan Foreign Minister confirms in memorandum to Corrigan points mentioned in conversation reported in telegram of November 28.[84] Venezuela will attend meeting of Foreign Ministers of Republics cooperating in continental defense to consider war and post-war problems; in view of divergencies existing between Foreign Offices Venezuela feels it preferable that Union not take definite decision on Argentine request at next meeting and that consultations between Governments continue. Summary of memorandum in telegram from Caracas is not clear but apparently Foreign Minister opposes early meeting, talking about "unfavorable atmosphere" and expressing doubt whether "procedure" would be acceptable to Argentina or to other Republics.

Proposed telegram to Caracas may go out tomorrow and will be repeated to Mexico for information.

STETTINIUS

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710 Consultation 4/12–444 : Telegram

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

SANTIAGO, December 4, 1944—3 p. m.
[Received 5:40 p. m.]

1878. For Secretary and Armour. Saw Fernández immediately after talking with Spaeth and informed him accordingly. He then amplified on his own suggestion which he still thinks the most effective to be taken against the Argentine regime. However, at 6 tonight he will hand me his answer which will be an acceptance of the 3 points, our position,[85] but he will add for us alone and not for distribution, this observation because of which he made his own suggestion. He cannot reconcile point 1 with point 3. In point 1 we say that the Board of Pan American Union will summon a meeting to discuss

[83] Juan José Amezaga, President of Uruguay.
[84] Not printed.
[85] See circular telegram, November 28, 7 p. m., p. 64.

postwar matters and in point 3 we stipulate that Argentine will be heard only after the conclusion of the postwar conference. He raises the point that if the postwar meeting is to be called by the Board of the Union, Argentina must be invited and will thus sit throughout the entire conference on postwar matters. He thinks juridically this is inescapable and is sure it is not what we want. He thinks that without a clarification of this point and a correction, Argentina is getting what she wants, that is participation in the postwar conference. This he will add to his written agreement to accept our 3 points, but since it would indicate a more pronounced anti-Argentine attitude than the others he would not want this part given out to anyone.

He also suggests that the Union meeting for the 6th should by all means be postponed to permit of a general review of all the replies and a possible revision of the plans.

BOWERS

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710 Consultation 4/12–544 : Telegram

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

WASHINGTON, December 6, 1944—2 a. m.

1209. Reurtel 1887, December 5, 7 p. m.[86] Uruguayan Government has informed us that it will go along with consensus of other republics on question of hearing Argentine case, although if consensus favors granting hearing it would prefer that it precede rather than follow meeting of Foreign Ministers. Most of the other republics have now expressed official approval of 3-point program outlined in our circular of November 28, 7 p. m., and agree with us that no useful purpose would be served in considering the Argentine case even at the end of a meeting of Ministers. As we made clear in our circular under reference, we did not propose that such a hearing be granted; we merely stated that if the consensus of the other republics should favor such a hearing we would be prepared to participate in it with the safeguards mentioned. As the situation now stands, this appears to be the attitude of the great majority of the other American republics.

Unfortunately we are not able to comment on Fernández communication quoted in your no. 1881, December 4, 11 p. m.[87] pending repetition of badly garbled portion.

STETTINIUS

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[86] Not printed.

[87] Not printed; this telegram quotes a memorandum from the Chilean Foreign Minister in which he upheld the right of the American nations to attend a consultative conference and asserted that Argentina could not be excluded (710-Consultation 4/12–444).

710 Consultation 4/12–744 : Circular telegram

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

WASHINGTON, December 7, 1944—7 p. m.

Following is for your information. Argentine request for meeting of Ministers to consider relations of Farrell regime with other American Republics was not considered at meeting of Governing Board of Pan American Union yesterday, in as much as consensus had not been reached on procedure to be followed.

Argentine representative [88] on Governing Board requested that special meeting be called to consider Argentine request if enough replies are received to reach consensus before next regular meeting. In as much as this is the procedure contemplated by the other Governments, it was agreed that special meeting would be called if consensus reached.

Ecuadoran representative [89] insisted on reading proposal of Ecuadoran Government for setting up special autonomous commission representing five countries to consider proposals of "all interested countries" for formula to consolidate continental unity. On motion of Brazilian representative [90] this Ecuadoran proposal was filed with other replies from American Governments on Argentine request. Previous Ecuadoran communication of November 30 [91] advocating meeting of ministers with Argentine participation to consider postwar problems, and rejecting Mexican proposals as well as our suggested procedure (circular of November 28, 7 p. m.) was withdrawn after transmission to Governing Board and replaced by foregoing proposal for special commission.

STETTINIUS

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710 Consultation 4/12–844 : Circular telegram

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

WASHINGTON, December 8, 1944—9 p. m.

Reference Department's circular of December 7, 7 p. m. The Department has given careful consideration to the Ecuadoran proposal for the appointment of a special commission to consider the Argentine problem.

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[88] Rodolfo García Arias.
[89] Galo Plaza.
[90] Fernando Lobo.
[91] Quoted in telegram 1145, December 1, 4 p. m., from Quito, p. 69.

In reply to any inquiries by the government to which you are accredited, you are authorized to state our reaction to this Ecuadoran proposal as follows:

1. The creation of a commission to conduct an intervening examination of the kind proposed would only cause further delay at a time when there is urgent need for a meeting of Foreign Ministers of countries collaborating in the war to consider problems directly connected with their common effort, and at a time when we are also called upon to make plans for an economic conference as well as for a meeting of the United Nations.

2. Since the Ecuadoran proposal contemplates that all "interested" governments would be heard by the commission and since all of the Republics are obviously "interested" in the problem, it is difficult to see any fundamental difference between the Ecuadoran request and that by the Farrell regime. In view of the fact that practically all of the governments have now taken a position on the Argentine request, the move by Ecuador is tantamount to a petition for rehearing the Argentine request in a slightly different form. The same reasons that justified rejection of the Argentine request justify rejection of the proposal by Ecuador.

3. The present proposal by Ecuador must be considered in the light of an earlier recommendation which was clearly open to the interpretation that Ecuador advocated recognition of the Farrell government as a desirable preliminary to the participation by that government in a meeting on post-war problems. The new Ecuadoran proposal recommends a special commission to "listen to all the interested countries" with a view to the preparation of a "formula which will consolidate the unity of the continent". Ecuador has therefore changed the form but not the substance or purpose of its original proposal.

4. This Ecuadoran proposal resembles the Paraguayan suggestion for a committee of investigation, except that the latter envisaged an actual investigation to be carried out in Argentina. Although such a procedure on the face of it might be expected to be quite unacceptable to the Argentine authorities, we were informed by the Paraguayan Foreign Minister that he had reason to believe it would be acceptable to them. The Farrell regime apparently assumed that any such commission would merely carry out a *pro forma* investigation and would in reality be intended to facilitate early recognition of the Argentine regime. (The Paraguayan Government has since officially informed us and other American governments that it will support our position as set forth in circular of November 28, 7 p. m., and it has so instructed its Ambassador here [92] with a view to replying to the Governing Board of the Union.) In the circumstances, it would be logical to assume that the Argentine regime would view with approval, if it may not actually have inspired, the present Ecuadoran proposal.

For your secret information the Department has reason to believe that the Ecuadoran Government consulted with the Argentine authorities before submitting its proposal to the Governing Board of the Union.

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[92] Celso R. Velásquez.

Because of the known purpose and intention of the Ecuadoran initiative you should vigorously reaffirm the basic arguments of our circular telegrams of November 12, 11 a. m.[93] and November 18, 10 p. m.[94] in the event that you note any tendency to view that initiative sympathetically on the part of the government to which you are accredited.

STETTINIUS

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710 Consultation 4/12–1144 : Telegram

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

BOGOTÁ, December 11, 1944—6 p. m.
[Received December 12—5:06 a. m.]

2007. ReEmbstel No. 2002 December 10, 10 p. m.[94] After thorough discussion with Ambassador Wiley [95] of the contents and significance of Colombian memo of December 9 [96] and in agreement with him I called by appointment on the Minister of Foreign Affairs at noon today with a view to seeking further clarification of Colombian position. In the course of the conversation I referred to the two memoranda from the Embassy embodying the contents of the Dept's circular telegrams of Nov. 12, 11 p. m. [*a. m.*] and Nov. 20, 8 [7] p. m., respectively, and again carefully went over the points of view and proposed program of action set forth therein. At the time I said that both Mr. Wiley and myself could not help but feel that the publication of the Colombian memorandum of December 9 might have caused concern in the Department. Dr. Echandía replied that in fact Colombia's position was no different from that which had previously been stated (reEmbstel No. 1854, November 3, 8 p. m.). His statements regarding the Colombian position may be summarized as follows:

(1) Colombia favors a meeting of Ministers of Foreign Affairs to consider the Argentine question in the hope that such a meeting might contribute to restoration of continental solidarity.

(2) This procedure would be consistent with the general procedure of inter-American consultations to discuss matters of importance to the hemisphere.

(3) In the absence of diplomatic relations with Argentina no other convenient mechanism exists for affording a hearing to the Argentine

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[93] See footnote 31, p. 43.

[94] Not printed.

[95] John C. Wiley, appointed Ambassador to Colombia on September 21, 1944, presented his credentials on December 16.

[96] The memorandum which appeared in the press on December 9 characterized as interventíon the proposed conditional admittance of Argentina to a meeting of the American Republics.

Government which asked for such a hearing and for thoroughly discussing the entire problem as a matter of continental interest.

(4) Such a meeting would not constitute acceptance of the policy and actions of the Argentine Government, but would merely be for the purpose of analyzing the facts and reaching conclusions. Such conclusions, he added, might conceivably involve the rejection of the Argentine point of view and the exclusion of that country from discussions of postwar problems by the American Republics.

(5) Colombia has not been in sympathy with Argentine policy and actions and has specifically so stated. However, this lack of approval should not constitute an obstacle to utilizing inter-American consultative machinery for bringing about an improved situation.

(6) Colombia favors consideration of Argentine case.

(7) Colombian memorandum of December 9 was transmitted to Mexican Government as reply to proposals earlier made by Padilla and copy has likewise been sent to Ambassador Turbay at Washington for presentation to Pan-American Union. Memorandum is not to be considered reply to Pan-American Union, but rather an expression of Colombian point of view.

(8) Colombia still hopes it will be possible to reach consensus among American Republics before replying formally to Pan-American Union and when the time comes to make it final, formal reply will be prepared to agree to a procedure acceptable to the majority of the American Republics.

I have shown the eight numbered paragraphs above to Dr. Umaña Bernal, Secretary General of the Ministry of Foreign Affairs, and inquired of him if they accurately summarized the current Colombian position in regard to the proposed meeting of Foreign Ministers. He replied in the affirmative. While the Colombian point of view differs from that previously expressed by the Department in favoring consideration of the Argentine case before discussing postwar problems at proposed meeting it would seem that the door is not closed to reaching agreement on the procedure to be followed in the light of paragraph No. 8 above. In this connection I mentioned this morning to Doctor Echandía that I have been informed that at least 15 American Republics had expressed general approval of the program proposed by the Department (reDeptel circular of December 9 midnight [99]). Doctor Echandía repeated that while the memorandum of December 9 set forth the Colombian position and the reasons therefore [*therefor?*] it did not constitute a reply to the Pan-American Union and that Colombia would go along with the majority of the republics in an effort to reach a consensus. It is respectfully suggested that this latter possibility be discussed with Ambassador Turbay.

Repeated to Caracas and Quito.

DANIELS

[99] Not printed.

710 Consultation 4/12–1144 : Telegram

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

WASHINGTON, December 11, 1944—7 p. m.

2149. I. The Department has given careful consideration to the report of the conversations of December 1st and 2d with Dr. Padilla, as well as to the memorandum [1] which, in general lines, states the points on which agreement was reached during the conversations. The Department is in entire accord with the objectives emphasized by Doctor Padilla, and is gratified that his views on procedure are substantially the same as ours.

We have also taken careful note of Dr. Padilla's important suggestion that our fight against Fascism in this Hemisphere should be implemented by a declaration of our determination to intensify programs, in cooperation with the other republics, for the general improvement of basic economic conditions in the Americas. It is precisely because we feel so strongly as to the desirability of such an intensification of economic programs, that we wish to strengthen the confidence among our own people that the nations of this continent are determined to stand united against appeasement of a government in Argentina which stands for everything we are fighting to destroy in Europe and Asia.

We have now completed a review of the entire situation in the light of the opinions expressed by the other Republics since the beginning of the present consultations.

As indicated in our circular of December 9, midnight,[2] sixteen governments, including this government, support the proposal that Republics which have collaborated in the war effort (thus excluding the Farrell government) should meet to consider urgent war and postwar problems.

A majority of the governments have also expressed the view that the Argentine request for a hearing on its international situation should be denied. The reasons for rejecting the Argentine request vary to some extent among the Governments. The view most insistently expressed is that no useful purpose would be served by a debate or argument with regard to obligations which are well known to Argentina, or by one more specification of the actions which the Farrell government has failed to take in accordance with those obligations. Other governments have stated that it is doubtful whether the procedure of the Consultative Meetings was ever intended to be used for a trial of the international conduct of an American state and consider

[1] Copy transmitted to the Department in despatch 21,722, December 4, 1944, from Mexico City ; neither printed.

[2] Not printed.

that to accede to the Argentine request would establish a dangerous precedent. The fear has also been expressed that such a hearing would promote disunity rather than Hemisphere unity and solidarity.

A few governments have stated that they favor a hearing of the Argentine case at a meeting of Ministers, and at least two of them favor such a hearing prior to a meeting on war and post-war problems. One government has expressed the view that no decision should be made on the Argentine request at this time.

In the light of these developments and the desire of all of the governments to arrive at a common decision, the Government of the United States was at first inclined to urge that through the medium of a report by the Governing Board an effort be made to obtain unanimous support for the procedure which now appears to enjoy the support of a majority of the governments (procedure proposed by Department's circular of November 28, 7 p. m.). However, for the reasons stated below it is the judgment of this Government that certain modifications should be made in that procedure, both as it relates to the manner of calling a conference of republics which have collaborated in the war effort, and as it relates to the disposition of the Argentine request for a hearing of its case.

(1) During the consultations thus far effected, one of the Republics has pointed out that there may be a juridical obstacle to the convocation of a Consultative Meeting of Ministers of less than all of the Republics. Since the opinion might be advanced that "Consultative Meetings" in the strict technical sense are necessarily meetings of Ministers of all of the Republics, and since the proposed meeting on war and post-war problems would not include all of the republics, it is feared that the Governing Board of the Pan American Union might be faced with a difficult legal question under the procedure which has been approved by a majority of the republics.

As an alternative, it has been proposed that by consultation through ordinary diplomatic channels, the Republics which have collaborated in the war effort should proceed to arrange the time, place and agenda for the suggested meeting. Since practically all of the interested governments have already agreed on the desirability of a meeting on war and post-war problems, it should be a relatively simple matter to reach agreement on time, place and agenda *without* resort to the facilities of the Governing Board of the Pan American Union. This method would obviate any consideration by the Governing Board of the question whether a Republic may be excluded from a "Consultative Meeting".

Once an agreement is reached through ordinary diplomatic channels on the agenda, time and place of the Conference, the country

selected for the meeting would issue invitations to the participating governments.

For the reasons indicated, the Government of the United States considers that the suggested alternative method of calling a conference on war and post-war problems has much to commend it.

(2) With respect to the Argentine request for a hearing on its international position, it is true that a majority of the governments have reached a negative decision. However, a small number of the governments favor approval of the request, and at least one government prefers that no decision be made on the request at this time. Furthermore, there is some divergence of opinion as to the propriety of such a hearing at a Consultative Meeting of Ministers.

It is therefore clear that the request of the Farrell government has raised political questions which are beyond the competence of the Governing Board of the Pan American Union to resolve and which can be properly and effectively considered only by the Foreign Ministers themselves. Moreover, although these questions might be answered by a further exchange of views through diplomatic channels, there is a need for personal consultation among the Ministers and it is believed that this can best be accomplished at the conference table.

The Government of the United States therefore recommends that no decision on the Argentine request for a meeting to consider its international position be taken through the Governing Board of the Pan American Union at this time. Instead, it is proposed that in their replies to the Governing Board the several governments state (*a*) that in view of the difficult and delicate political questions presented by that request, it is deemed imperative that the matter be considered by the Foreign Ministers themselves, and (*b*) that this consideration should be given to the request at the forthcoming conference of Republics which have collaborated with the war against the Axis, by including the request as the final item on the agenda of that conference.

To summarize:

(1) It is recommended that the proposal for a Conference of Republics which have collaborated in the war against the Axis be treated separately and distinct from the Argentine request for a hearing.

(2) It is further recommended that the agreement already reached on the desirability of such a conference by practically all of the interested republics, be supplemented by an agreement on the agenda, time, and place for a conference, and that this supplementary agreement be reached by consultation through ordinary diplomatic channels. In this manner, a conference can be called without participation by Argentina and without any necessity for deciding whether a republic may be excluded from a Consultative Meeting of Ministers under Pan American Union procedure.

(3) With respect to the Argentine request for a hearing of its case, the Government of the United States believes that the most effective

manner in which a final decision can be reached is to consider this request as the final item on the agenda of the proposed conference of Republics which have collaborated in the war effort. This disposition of the Argentine request is preferred to other possible courses because an adequate and effective decision by the interested governments requires the exercise of political judgment by the highest officers of each government. The Ministers of the Republics which would be represented at the proposed Conference would be competent to exercise this political judgment whereas the Governing Board of the Pan American Union is expressly denied all political functions.

(4) If the Conference of Ministers were to decide to grant a hearing to the Farrell government, a representative of that government could be invited to appear at the close of the Conference on war and post-war problems, or arrangements could be made for a later Meeting at which a representative of the Farrell government might appear.

II. In presenting the foregoing views to Dr. Padilla for his comments, you may inform him that we have not consulted any other government on this alternative procedure. We are confident that, if approved, the procedure could be so adapted as to insure emphasis upon the distinction between the government and the people of Argentina, which we are agreed is of fundamental importance. We believe that the procedure is responsive to the spirit and letter of the inter-American consultative agreements and practices and gives practical expression to the desire for close collaboration and for a collective decision which has characterized the discussions to date. Moreover, the procedure respects the traditions under which resort has been made by the American Republics to special procedures and instrumentalities for the consideration and solution of problems of a political character so as to avoid placing undue strain on the permanent structure of the Pan American Union, which symbolizes the basic spiritual and moral unity of the peoples of the Americas.

If Dr. Padilla agrees to the proposal it is hoped that he would invite the interested governments to hold the Conference in Mexico City.

STETTINIUS

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710 Conference W and PW/12–2144

Memorandum by the Assistant Secretary of State for the American Republics (Rockefeller) to the Secretary of State

WASHINGTON, December 21, 1944.

THE SECRETARY: At a meeting in my office this morning at which were present: Mr. Acheson, Mr. Dunn, Mr. Clayton, Mr. Rockefeller, and Mr. Pasvolsky,[3] the following decisions were reached:

[3] Dean G. Acheson, James C. Dunn, William L. Clayton, and Nelson A. Rockefeller were Assistant Secretaries of State; Leo Pasvolsky was a member of the Secretary's Staff Committee.

1. The Conference of Governments of the American Republics that are collaborating in the war effort (which excludes Argentina) should be called as soon as agreement thereon has been reached with the other Republics.

2. Date: February 1, 1945. There is a possibility of delaying the date to February 15, 1945, if this should prove desirable.

Considerations affecting choice of date—

(*a*) There must be adequate time for preparation by all the American Republics.

(*b*) There must be ample time beween the American Republics' meeting and the meeting of the United Nations.

3. Place.

Probably Mexico City.

4. Subject.

The agenda should stress the war and problems arising from the war and should include:

(*a*) Consideration of further steps to support the prosecution of the war and hasten its conclusion in final victory.

(*b*) Problems arising out of the war and the transition to peace:

(1) World security plans and the relation to them of the Western Hemisphere regional structure.
(2) Economic problems arising from the war.
(3) Basic economic conditions essential to a rising standard of living.

(*c*) Argentina's request for a hearing.

5. In view of the above, postponement of the Technical-Economic Conference now scheduled to be called by the Pan American Union for March 15, thus eliminating the necessity for the Secretary of State to send an invitation, as Chairman of the Governing Board of the Pan American Union, to the Minister of Foreign Affairs of Argentina.

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710 Conference W and PW/12—2644

The American Ambassador in Mexico (Messersmith) to the Mexican Minister for Foreign Affairs (Padilla)[4]

[Extracts]

No. 3417 MEMORANDUM

I

The Department of State of the United States of America has completed a reconsideration of the proposals for a meeting of the Foreign Ministers of the American Republics which are participating in the war effort, in the light of the opinions expressed by the other American Republics since the beginning of the present consultations.

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[4] Copy transmitted to the Department in despatch 22,144, December 26, 1944, from Mexico City; received January 3, 1945.

The basic view of the Government of the United States of America is that there is need for a meeting of American Governments which are participating in the war effort to discuss urgent war and postwar problems which have arisen since the Conference at Rio de Janeiro. It is of the opinion that it is most important and urgent that we discuss together the war and problems arising from the war; consider further steps to support the prosecution of the war and hasten its conclusion in final victory; consider other problems arising out of the war. With regard to such other problems, the Government of the United States of America believes that such a Conference should be a forum for full discussion among the participating American Republics of the proposed world security organization and the further development of the inter-American system, in order that it may provide regional arrangements and agencies to deal effectively with such matters as are appropriate for regional action by the American Republics. Discussion of any such matters, it believes, however, should be of a preliminary nature since it is believed that actual changes in the structure of the inter-American system would have to be referred to the decision of an International Conference of American States after the world security organization is more fully developed.

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II

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In deference to and in the light of all the opinions expressed to date, the Government of the United States of America therefore recommends that no decision on the Argentine request for a meeting to consider its international position be taken through the Governing Board of the Pan American Union. Instead, it is proposed that in their replies to the Governing Board the several Governments state (*a*) that it is evident from the consultations in which they have been engaged that, whether it be approved or denied, the Argentine request for a Consultative Meeting of Ministers to consider its international position, calls for a political decision which is beyond the competence of the Governing Board of the Pan American Union; (*b*) that it is necessary and desirable that the request of the Farrell Government be given joint, personal consideration by the Foreign Ministers themselves and that it not be answered by the Governing Board of the Pan American Union; (*c*) that it is proposed that since the Republics which are collaborating in the war effort are to meet in the immediate future at a conference on war and postwar problems (arrangements for which are being made by consultations through normal diplomatic channels), the request of the Farrell Government be included as the final item on the agenda of that conference.

To summarize:

(1) It is recommended that the proposal for a Conference of Republics which are collaborating in the war against the Axis be treated separately and distinct from the Argentine request for a hearing.

(2) It is further recommended that the agreement already reached on the desirability of such a conference by practically all of the interested Republics, be supplemented by an agreement on the agenda, time, and place for a conference, and that this supplementary agreement be reached by consultation through ordinary diplomatic channels. In this matter, a conference can be called without participation by the Farrell Government and without any necessity for deciding whether a Government may be excluded from a Consultative Meeting of Ministers under Pan American Union procedure.

(3) With respect to the Argentine request for a hearing of its case, the Government of the United States of America believes that the most effective manner in which a final decision can be reached is to consider this request as the final item on the agenda of the proposed conference of Republics which are collaborating in the war effort. This disposition of the Argentine request is preferred to other possible courses because an adequate and effective decision by the interested Governments requires the exercise of political judgment by the highest officers of each Government. The Ministers of the Republics which would be represented at the proposed Conference would be competent to exercise this political judgment whereas the Governing Board of the Pan American Union is expressly denied all political functions.

(4) If the Conference of Republics collaborating in the war effort were to decide to grant a hearing to the Farrell Government, a representative of that Government could be invited to appear at the close of the Conference, or arrangements could be made for a later meeting at which a representative of the Farrell Government might appear. It is important to emphasize in connection with this fourth point that the Government of the United States of America continues to entertain grave doubts as to whether any useful purpose would be served by approving the request of the Farrell Government.

III

The Government of the United States of America believes that the proposed procedure gives practical expression to the desire which has characterized the discussions to date for close collaboration and complete agreement on the disposition of the Argentine request. Moreover, the procedure respects the traditions under which resort has been made by the American Republics to special procedures and instrumentalities for the consideration and solution of problems of a political character so as to avoid placing undue strain on the permanent structure of the Pan American Union, which symbolizes the basic spiritual and moral unity of the peoples of the Americas.

MEXICO CITY, December 26, 1944.

710 Conference W and PW/12–3044 : Telegram

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

WASHINGTON, December 30, 1944—6 p. m.

2264. We have now received replies to procedure proposed in our circular airgram of December 23, 11:50 a. m.[5] from a number of countries. While some of these replies are preliminary in nature and subject to more detailed study of suggested procedure they suggest probability of general acceptance. Indications of favorable replies have been received from the Governments of Brazil, Chile, Costa Rica, Cuba, Dominican Republic, Honduras, Panama, Peru, and Venezuela. Ambassador Thurston feels that Bolivian reply, which will be influenced by Chilean attitude, will be reasonably favorable. Ambassador Dawson reports that Uruguayan Government will probably approve Points A and B of proposed reply to Pan American Union and will go along with majority on Point C.

In view of the generally favorable nature of the replies received thus far and in view of the fact that some countries are suggesting alternative capitals for the meeting, and having in mind the publicity with regard to Mexico City, we suggest that you discuss with Padilla the timing of an invitation by him for holding the Conference in Mexico City. In doing so you should also inform him that the Pan American Union meeting is now scheduled for January 3, but that it may be necessary to postpone the meeting for about a week in order to allow time for receipt of instructions by all members of the Board.

STETTINIUS

[5] Not printed.

GENERAL POLICY OF THE UNITED STATES ON CONTINUANCE OF ARMAMENT DISTRIBUTION TO THE AMERICAN REPUBLICS [1]

810.20 Defense/3640

Admiral William D. Leahy, Chief of Staff to the Commander in Chief of the Army and Navy, to the Secretary of State

WASHINGTON, 30 December 1943.

MY DEAR MR. HULL: Your letters of 13 September 1943 to the Secretary of War and the Secretary of the Navy,[2] recommending revision of Lend-Lease credits to other American Republics, have been studied by the Joint Army and Navy Advisory Board on American Republics. Their report, which has been approved by the Joint Chiefs of Staff is forwarded herewith.

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For the Joint Chiefs of Staff:
WILLIAM D. LEAHY

[Enclosure]

Report by the Joint Army and Navy Advisory Board on American Republics [3]

[WASHINGTON, undated.]

Subject: Revision of the Board's memorandum concerning munitions of war for American Republics dated 3 March 1941.[4]

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[1] For background information on the negotiation of basic Lend-Lease agreements with Latin American Republics, see *Foreign Relations*, 1941, vol. VI, pp. 133 ff.

[2] Not printed. These letters noted that credits to the other American Republics for procurement of armaments in the United States had been granted on the basis of the strategic importance of each country in hemisphere defense, but that since the progress of the war had to a considerable extent removed the threat to the security of the Western Hemisphere, the original plan set up in 1941 by the Joint Army and Navy Advisory Board should be revised. The Secretary of State observed that discussion of this matter by representatives of the three Departments within the Standing Liaison Committee had culminated in an expression of views at a meeting on August 5, and he requested that the War and Navy Departments now undertake revision of the original plan in detail, indicating as far as practicable the value of equipment to be delivered to each of the American Republics beyond the quantities already furnished (810.24/348). For the discussions in the Standing Liaison Committee, 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. 235–236.

[3] Addressed to the Secretary of War and the Secretary of the Navy.

[4] Not printed.

599-037—67——7

References: (*a*) Letters from the Secretary of State to the Secretary of War and the Secretary of the Navy dated 13 September 1943 [4a] recommending revision of Lend-Lease credits to other American Republics.
(*b*) Joint War and Navy Department memorandum dated 17 December 1940 [4a] creating a board to consider matters pertaining to the procurement of munitions of war in the United States by American Republics.
(*c*) Report of Joint Advisory Board dated March 3 1941.[4a]

[Here follow a list of enclosures and an outline of facts, figures, recommendations, and policies taken into consideration by the Advisory Board in its deliberation of this matter.]

3. *The Board finds:*

a. That official requests for armaments through prescribed channels have been submitted by all American Republics and Lend-Lease agreements have been signed with all, except Argentina and Panama.

b. That the total of War and Navy Department Lend-Lease credits granted to all American Republics is $425,890,000, of which $325,890,000 is for Army equipment and $100,000,000 for Naval equipment. Lend-Lease agreements require that the countries concerned return to the United States on an average approximately 34% of the money value of material received.

c. That the approximate value of Defense Aid Material approved for transfer by the Army as of June 30 is $125,000,000. Of this amount approximately $99,000,000 has been shipped and and invoiced. The Navy has accepted requisitions which on completion will have a value of approximately $41,000,000 exclusive of vessels which by law are to be leased. Included in this total, material to the amount of approximately $9,000,000 has been shipped and invoiced as of July 31, 1943. In addition, the Navy has either leased or made commitments to lease vessels having an approximate value of $22,000,000. Treasury Procurement has accepted requisitions for material for the ultimate use of the Armed Forces in the amount of approximately $4,500,000. Of this amount, material to the value of approximately $1,500,000 has been delivered and invoiced.

d. The summary of the above follows:

Procurement Agency	*Requisitions Accepted for Ultimate Dlvy.*	*Delivered and Invoiced to Date*
Army	$125,000,000	$99,000,000— 6/30/43
Navy	41,000,000	9,000,000— 7/31/43
Treasury Procurement	4,500,000	1,500,000—11/ 1/43
Totals	$170,500,000	$109,500,000

[4a] Not printed.

The approximate value of vessels leased or to be leased by U. S. Navy totals $22,000,000 in addition to the above.

e. In 1941 specific amounts were approved for Lend-Lease purposes by Congress but on December 17, 1941, in the case of the Army, and February 1942, in the case of the Navy, authority was granted to these Departments with certain limitations to use funds available to them for Lend-Lease purposes.

f. That some friction is being created between the other American Republics as a result of jealousy due to the distribution of Lend-Lease material.

g. That, in general, commitments and deliveries of material have been made in accordance with the varying strategic situations corresponding to the following periods.

(1) June 1940 to December 1941 (Pearl Harbor). This period corresponded to the Staff Conversations and our efforts to obtain Latin American bases and facilities.[5] It also coincided with the darkest period of the war—the elimination of France, the entrance of Italy into the war, Dunkirk, and Pearl Harbor. No doubt certain commitments were made which would not be warranted under later improved strategical situations.

(2) December 1941 to March 1943. This was the period of greatest expansion of American industry. During this time few commitments or deliveries of material were made to Latin America. The occupation of North Africa removed the principal threat against Latin America.

(3) March 1943 to November 1943. During this period American production began to catch up in certain lines. Deliveries of commitments made in 1941 and 1942 began to be made.

4. *The Board is of the opinion:*

a. That under the present strategic situation any major threat to the security of the Western Hemisphere has largely been removed.

b. That Axis submarine operations now constitute the greatest menace to our common interests and are a matter which must continue to receive our serious consideration.

c. That except for measures necessary to combat submarines, it may generally be said that existing defense plants and establishments throughout North and South America are adequate to meet the situation.

d. That the mere fact that individual countries have been allocated individual Lend-Lease credits has encouraged some to request matériel not needed for the war effort.

e. That if the requests for matériel are properly screened and granted only for essential projects, there is no further necessity for specific dollar allocations of Lend-Lease credits to individual countries.

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[5] For correspondence concerning these matters, see *Foreign Relations*, 1940, vol. I, pp. 681 ff., and *ibid.*, 1941, vol. VI, pp. 55 ff.

f. That our present Lend-Lease policy as indicated by individual agreements now in effect with the other American Republics should be modified and/or broadened to meet the changed strategic situation.

g. That many of the United Nations, armed neutrals and Axis Powers will carry over great surpluses of strictly military items into the post-war period and in order to establish influence of a military character throughout the Western Hemisphere, will undoubtedly be glad to furnish it to the other American Republics on a barter or low cash value basis.

h. That the uncontrolled acquisition of armaments by the American Republics may be the cause of reviving feuds and disputes to such an extent as to create armed conflicts.

i. That the standardization by the American Republics upon United States equipment and training doctrine to the exclusion of foreign matériel and military influence is of first importance to the peace and safety of the Western Hemisphere.

j. That such standardization if carefully planned and executed will diminish rather than increase the military and political animosities presently existing between the armed forces of the various American Republics.

k. That the delivery of military matériel by the United States to the other American Republics for the purpose of securing continued military cooperation is authorized under the provisions of the applicable Lend-Lease statutes.

l. That the disposition of surplus matériel to the American Republics either through Lend-Lease or negotiated cash purchase would probably bring a greater dollar value return for this matériel than could be secured by any other method.

m. That unless some inter-American agreement is reached, there is liable to be considerable competition amongst the American Republics in acquiring surplus armaments which they deem necessary for their national security.

n. That it is presently impracticable to determine with any degree of accuracy what additional equipment should be furnished to the individual American Republics or what the individual Lend-Lease credits in dollar value should be as this will depend upon the nature of military operations and plans for future military cooperation with the American Republics.

o. That the future relationships between our country and the other American Republics will largely depend upon our present handling of Lend-Lease credits.

5. *The Board recommends:*

a. That, in general, future procurement under Lend-Lease shall be approved only for the following projects:

(1) 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 engaged in antisubmarine or other offensive military operations within this hemisphere.

(2) 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.

(3) The repair and maintenance of existing equipment essential to the war effort where facilities do not exist for making repairs locally.

(4) The shipment of limited amounts of certain armaments to enable our military and naval missions to maintain an interest in American matériel and training methods to the exclusion of non-American matériel and influences.

(5) 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.

b. That within the framework of our international agreements and through the agency of staff conversations conducted with the other American Republics, steps be taken to arrive at an inter-American understanding and plan as to the type and strength of the Armed Forces necessary to maintain order and insure continuing military collaboration in the Western Hemisphere.

c. That plans for continuing military cooperation be considered principally the responsibility of the United States and as far as possible all military and naval agreements made with other American Republics shall be extensions of our own War and Navy Department plans.

d. That under these plans and agreements the forces of the other American Republics be equipped under Lend-Lease or by negotiated cash purchase with surplus standard United States matériel and trained in accordance with United States standards.

e. That no munitions of war or matériel destined to the Armed Forces of the other American Republics shall be procured in the United States without first having been carefully screened and approved by the appropriate agencies of the War and Navy Departments.

f. That the requirements which are clearly for Navy use, although procured by the United States War Department, should be presented to the United States Navy Department, which will negotiate with the War Department as to procurement; similarly, those clearly for Army use, although procured by the United States Navy Department, should be presented to the United States War Department, which will negotiate with the Navy Department as to procurement.

g. That all requests for materials which are destined for the use of the Armed Forces of the American Republics and which are pro-

curable by agencies other than the United States War and Navy Departments, should first be presented to the War or Navy Department, as indicated in paragraph *f* above, and the service having cognizance will process for procurement through the prescribed channels.

h. That both Army and Navy Lend-Lease credits allocated to each individual American Republic be cancelled and the unobligated balance of the total Lend-Lease credit assigned to each service be considered available for furnishing Lend-Lease matériel to any of the Latin American countries, eligible for Lend-Lease, as may be required, and in accordance with the following:

(1) To furnish matériel as prescribed in paragraph *a* above.
(2) To furnish surplus standard United States war materials for the purpose of equipping Latin American Armed Forces as may be determined by inter-American agreements.

i. That only such armaments and matériel be furnished under paragraph *h* (2) above, as are of a purely military character, taken from military surpluses and not adaptable to peace-time civilian use.

j. That other necessary items including armaments and matériel outside of the requirements as mentioned in paragraphs *a* and *h* above, be supplied by cash purchase only.

k. That a copy of this report be furnished to the Secretary of State in reply to his letters to the Secretary of War and the Secretary of the Navy dated 13 September 1943 concerning revision of Lend-Lease credits to the other American Republics.

Army Members

/s/ G. C. JAMISON,
Brigadier General, AAF
/s/B. C. WRIGHT, *Brig. Gen. AAF*
per Winant Johnson, *Lt. Col.*
(*Sig. C., Alternate*)
/s/ W. J. MORRISSEY,
Colonel, USA
Asst. Chief of Staff, G–4
Representative
/s/ R. A. DOYLE,
Lieut. Colonel, USA
Asst. Chief of Staff, OPD
Representative

Secretary of War

Navy Members

/s/ W. O. SPEARS
Rear Admiral, USN (Ret.)
/s/ C. J. PARRISH,
Captain, USN

/s/ H. C. PARKER,
Commander, USNR

Secretary of Navy

810.20 Defense/3640

The Acting Secretary of State to Admiral William D. Leahy, Chief of Staff to the Commander in Chief of the Army and Navy

WASHINGTON, February 29, 1944.

MY DEAR ADMIRAL LEAHY: I acknowledge herewith receipt of your letter of December 30, 1943, with which you enclosed a copy of a report by the Joint Advisory Board on American Republics. I note that this report has been approved by the Joint Chiefs of Staff.

This Department has given the report most careful consideration. We are in entire agreement with the view implicit in it that the continuance of close military and naval collaboration among the American republics is desirable in the future in order to ensure the security of the continent from external aggression. The Department also concurs in the opinion that the defense of the hemisphere and the effectiveness of collaboration would be materially furthered by the standardization of certain types of equipment, particularly combat matériel, among the armed forces of the American republics members of the inter-American system. Since the other American republics must import the greater part of their military matériel, we would therefore favor from the viewpoint of military considerations appropriate measures designed to equip their armed forces in the greatest possible proportion with United States-manufactured matériel.

I am pleased to inform you that the Department concurs with the recommendations contained in paragraph 5(*a*) of the Joint Advisory Board report, respecting the policy to be pursued henceforth in regard to the furnishing of military supplies and equipment to other American republics under existing Lend-Lease agreements. I believe it would be desirable in this connection for the State, War and Navy Departments to cooperate in the drafting of a statement of this new policy, together with the reasons for its adoption. This statement should be placed in the hands of all officials of this Government concerned with problems relating to the procurement of Lend-Lease supplies for the other American republics, for their general guidance and for use in conversations they may hold with representatives of other American republics on this subject.

The Department appreciates the need for revising existing Lend-Lease agreements with the other American republics and is in accord with the recommendation of the Advisory Board that revised agreements be negotiated at the earliest possible date.

While realizing that revision must be formalized prior to June 30, 1944, unless Congress takes action before that date to extend the Lend-Lease Act,[6] I believe that the agreements cannot be revised until after

[6] "An Act to Promote the Defense of the United States," approved March 11, 1941; 55 Stat. 31.

the situation has been thoroughly and carefully studied. For that reason, I consider it highly desirable that exploratory bilateral joint staff conversations with certain of the other American republics be undertaken immediately. These conversations should, in my opinion, cover the following points:

a. The nature of the armed forces which the respective states contemplate maintaining after the present emergency;
b. Questions relating to the procurement of armaments and matériel for the armed forces of the American republics;
c. Matters relating to the work of United States military, naval and air missions in those countries where they are now established, and to the possibility of sending such missions to countries which do not now have them; training and technical educational facilities in the United States which it may seem desirable to make available to military and naval personnel from the other American republics.

It will be very difficult to reach agreement with all of the republics on these points, especially on (*a*) and (*b*). Few attributes of sovereignty are as highly prized by states as that of determining the size, strength and organization of their armed forces, and the same is true of the freedom to purchase equipment wherever they may choose.

I realize that in view of the President's letter to me of January 7, 1944,[7] concerning air bases, the question of future arrangements respecting the maintenance and use of certain operational facilities for purposes of hemisphere defense cannot be appropriately discussed with military representatives of the other American republics at the present time in as much as no decision has as yet been reached regarding fundamental questions of policy in this connection. However, it is my opinion that this problem is one which those officers who will carry on staff conversations should have constantly in mind as a part of the background of their discussions. It is my hope that before long the situation will be such that conversations on this subject can be held with the other American republics.

This Department, while wishing to allow adequate latitude in the staff conversations, considers it appropriate to state its belief that, in approaching the military and naval authorities of the other American republics, the United States representatives should express themselves approximately along the lines set forth below:

a. The United States military (or naval) authorities, realizing that the threat of aggression upon the sovereignty and territorial integrity of the American republics has been largely removed, but mindful of the importance of joint action for mutual protection in the future, believe it timely to consider the problem of the post-war military security of the hemisphere. They wish to do so in accordance with the principles of inter-American collaboration embodied in the "Declara-

[7] *Post*, p. 546.

tion of Lima"[8] and underlying both Resolution XV of the Second Meeting of Foreign Ministers at Havana[9] and Resolution XXXIX of the Third Meeting at Rio de Janeiro.[10]

b. When the security of the hemisphere was endangered in 1940, military officials of the United States and of most of the other American republics held discussions regarding the best means to meet the common dangers which confronted them. The military authorities of the United States believe that the time has now come to re-examine, in the light of changed conditions, the arrangements which resulted from those discussions and again to exchange information regarding future hemisphere defense. To this end they are holding or will shortly hold bilaterial joint staff conversations with each of the republics, except Argentina and Bolivia.

c. It is the belief of the United States military authorities that the American republics should be assured of the minimum supply from a secure source of arms adequate for them to share in the defense of the continent and to carry out responsibilities within a general security system.

(1) The amount and character of arms necessary for this purpose should be the subject of inter-American understanding, subject to the considerations set forth in (*d*) below.

(2) Adequate control of the supply of arms should be established in such a manner as to contribute to the further growth of collaboration and mutual confidence.

d. The staff conversations should be conducted in the light of, and any understandings reached in or as a result of these conversations with other American republics should be subject to the overriding considerations of, any eventual system of general security and arrangements for international regulation of armaments which may be brought about.

e. In order to accomplish these purposes the military authorities of the United States wish to discuss the nature of the forces to be maintained in each of the republics and to reach understandings regarding other forms of military cooperation, as, for example, the manner in which arms might be supplied by one republic to another, military missions, et cetera.

(1) In the interest of further collaboration, the United States would consider continuing to furnish arms to the other republics under mutually satisfactory terms.

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[8] Declaration of the Principles of the Solidarity of America, known as the "Declaration of Lima", approved December 24, 1938. For text, see *Report of the Delegation of the United States of America to the Eighth International Conference of American States, Lima, Peru, December 9–27, 1938* (Washington, Government Printing Office, 1941), p. 189. For correspondence concerning the Lima Conference, see *Foreign Relations*, 1938, vol. v, pp. 1 ff.

[9] For text of Resolution XV concerning reciprocal assistance and cooperation for the defense of the Americas, see Department of State *Bulletin*, August 24, 1940, p. 136; for correspondence concerning the Second Meeting of Foreign Ministers, see *Foreign Relations*, 1940, vol. v, pp. 180 ff.

[10] For text of Resolution XXXIX concerning the appointment of an Inter-American Defense Board, see Department of State *Bulletin*, February 7, 1942, p. 139; for correspondence concerning the Third Meeting of Foreign Ministers, see *Foreign Relations*, 1942, vol. v, pp. 6 ff.

(2) The United States believes that true integration of the inter-American defense system would be facilitated by the adoption of standard equipment by the armed forces of the American republics and to attain this objective is prepared to cooperate with the other American republics.

In the event that the question of the mutual use of certain operational facilities for purposes of future hemisphere security is broached by representatives of any of the other American republics, I believe that the United States representatives should merely state that they assume that this Government is studying this matter but that they are not informed in the premises.

I believe that the War and Navy Departments jointly should make the decision as to whether Army and Navy staff conversations along the above lines should be conducted jointly or separately. Both Departments will naturally wish to have their conversations carried on by the best qualified officers who can be made available. It is of the utmost importance that the officers who are to engage in such conversations discuss the problems thoroughly with the proper officers of the Department prior to their departure, as well as the selection of the countries to be visited and the order in which the visits might take place. The Department will be pleased to have the Embassies in the field prepare the ground with the respective Governments for these visits.

I shall be glad to make specific recommendations regarding the revision of the existing Lend-Lease agreements once the Department has had an opportunity to study the results of these proposed conversations.

Sincerely yours, EDWARD R. STETTINIUS, JR.

810.20 Defense/3640

The Secretary of State to Admiral William D. Leahy, Chief of Staff to the Commander in Chief of the Army and Navy

WASHINGTON, May 10, 1944.

MY DEAR ADMIRAL LEAHY: I refer to your letter of December 30, 1943, transmitting a copy of the report of the Joint Army-Navy Advisory Board on American Republics, and to Mr. Stettinius' letter of February 29, 1944, in reply thereto.

In Mr. Stettinius' letter the Department indicated its approval of the proposal that the Lend-Lease agreements with the other American republics be revised, but advocated the holding of informal joint staff conversations as preliminary steps to such revision. The Department also approved specifically paragraph 5(*a*) of the report of the Joint Advisory Board with respect to an interim arrangement to be followed

pending revision of the Lend-Lease agreements. It is my understanding that an agreement will shortly be reached with respect to the terms of a statement regarding this temporary arrangement, in accordance with the suggestion in Mr. Stettinius' letter.

Despite the legal authority which this Government has to curtail deliveries to the other American republics under existing Lend-Lease agreements, the proposed statement will not provide for long a satisfactory basis for refusing requests for Lend-Lease materials. To attempt to make it do so would, in my opinion, create political problems of a very serious character which might go far to undermine our relationships with those republics.

I should therefore like to urge that arrangements be completed at an early date for the holding of staff conversations, to be followed rapidly by revision of the Lend-Lease agreements. The Department would appreciate being informed of the plans of the Joint Chiefs of Staff in this regard, particularly with respect to the approximate time when it is expected that these conversations can be begun.

Sincerely yours, CORDELL HULL

810.24/554

Statement of Policy of the State, War, and Navy Departments and the Joint Chiefs of Staff Concerning the Supplying of Lend-Lease Materials to the American Republics [11]

(For the *confidential* use and guidance of United States representatives in conversations with representatives of the other American republics in regard to procurement of material in the United States. Not to be shown or quoted to representatives of the other American republics.)

1. The defensive phase of the war against the Axis has passed, and the United Nations are on the offensive throughout the world. Axis submarine operations have been substantially reduced and any large threat to the security of the Western Hemisphere has been largely removed.

2. Offensive action demands large expenditures of men, money, materials, and equipment, with the result that the United States war effort must be thrown into the offensive to the exclusion of the defense.

3. Huge quantities of materials and equipment are being constantly demanded from the war fronts to such an extent that the amount and type of equipment available under Lend-Lease credit, on Lend-Lease cash reimbursement, or direct contract for cash must of necessity be modified.

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[11] Sent under cover of a circular instruction dated June 24, 1944, not printed, to the Chiefs of Mission in Chile, Colombia, Costa Rica, Cuba, Honduras, Haiti, Nicaragua, Peru, Paraguay, Uruguay, Venezuela, Guatemala, Ecuador, El Salvador, Dominican Republic, and Bolivia.

4. 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.

5. Certain raw materials, semi-finished, and finished products, which are not procurable under the provisions set forth in paragraph four 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 (56 Stat., 1948), shall, without previous approval of the State, War and Navy Departments, be furnished to any American republic except those mutually agreed upon by the three Departments.

6. The procedure to be employed with respect to the procurement of munitions of war or material destined for the armed forces of the other American republics is as follows:

a. No such munitions of war or material shall be procured in the United States without first having been screened and approved by the appropriate agencies of the War and Navy Departments.

b. The requirements which are clearly for Navy use, although procured by the United States War Department, should be presented to the United States Navy Department, which will negotiate with the War Department as to procurement; similarly, those clearly for Army use, although procured by the United States Navy Department, should be presented to the United States War Department, which will negotiate with the Navy Department as to procurement.

c. All requests for materials which are destined for the use of the armed forces of the American republics and which are procurable by agencies other than the United States War and Navy Departments, should first be presented to the War or Navy Department, as indicated in paragraph *b* above, and the service having cognizance will process for procurement through the prescribed channels.

d. No American republic shall retransfer any munitions of war or material capable of use by armed forces which it has received from the United States to any other government or agency without first having obtained the approval of appropriate United States authorities.

810.24/8–444

Memorandum by the Acting Director of the Office of American Republic Affairs (McGurk)

[WASHINGTON,] August 4, 1944.

Attached are letters drafted for the Secretary's signature to War and Navy [12] setting forth the Department's interest for reasons of foreign policy in allocations of material destined for the armed forces of other American republics, and a memorandum [13] for the President on the subject.

The belief that these letters are necessary for purposes of clarification arose out of discussions over the request for dive bombers for Peru, and specifically out of the categorical statement of Rear Admiral W. O. Spears to officers of the Department that the policy statement on procurement of material for other American republics gives the Army and Navy control over allocation to those republics under Lend-Lease credit, the State Department having a say only in connection with assignments of munitions of war for cash to countries other than Brazil and Mexico. A recent despatch from Ambassador Briggs in Ciudad Trujillo (no. 164, July 28, copy attached),[14] which expresses precisely the same position as is taken in the underlying letters, confirms the need for the Department to make its position absolutely clear.

Mr. Briggs makes the further point, which appears to follow logically, that assignments of munitions should be cleared by the missions as well as by the Department. If the attached letters and memorandum are approved and Mr. Briggs' view is accepted by the higher officers of the Department, it is suggested that one officer in the Department be assigned to the work of making sure that all requests for material for the armed forces of the other American republics, whether under Lend-Lease or for cash purchase, are properly cleared.

It is further suggested that the Department may wish, in view of the changed strategic situation, to re-examine the relationship between the chiefs of diplomatic mission and the United States Naval and Military Missions in the other American republics. This question is raised by Mr. Briggs in his despatch no. 168 of July 28,[14] in connection with the allocation of six training planes to the Dominican Republic, of which he learned only when the planes were about to be delivered.

J. F. MCGURK

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[12] Presumably draft copies dated July 22 of letters that were sent under date of August 17, p. 101.

[13] Presumably the memorandum dated August 28, p. 102.

[14] Not printed.

810.24/8–444

Memorandum by the Assistant Secretary of State (Berle) to the Secretary of State

[WASHINGTON,] August 5, 1944.

MR. SECRETARY: The attached memorandum from Mr. McGurk (ARA),[16] backed up by a recent despatch from Ellis Briggs,[17] and indeed by everyone thus far consulted in the Department, relates to the difficult problem of allocation of arms to Latin America. This will become increasingly difficult since surplus arms are readily available now and are becoming more so as time goes on.

Messrs. McGurk and Johnson [18] suggest that one officer in the Department be assigned to the work of making sure that all requests for material for the armed forces of the other American republics are properly cleared. This would include assignments made by way of Lend-Lease and sales of arms whether out of United States surplus stores or otherwise for cash.

I should like to endorse this suggestion most heartily; and add to it the suggestion that a similar officer be appointed to control such sales of arms to European countries as well. Presumably the officer covering the American republics would be appointed by the Office of American Republic Affairs; the officer covering European assignments would be appointed by the Office of European Affairs.

In this connection, I should like to note that the bitterest criticisms of the State Department in President Wilson's time arose out of the fact that uncontrolled sales of arms were made indiscriminately in the period immediately following the close of European hostilities in 1919. The United States found itself in the position of arming both sides in at least one civil war which the State Department was attempting to bring to an end. General Tasker Bliss [19] wrote the President that this situation was a disgrace to the honor of the United States.

It seems, therefore, that the suggestion made by Messrs. McGurk and Johnson, resulting out of our difficulties in Peru and from the suggestions made by Ellis Briggs of the Dominican Republic, is a prudent and timely step which can be taken now, and which will avoid very considerable difficulties and criticisms in the future.

A. A. B[ERLE], JR.

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[16] *Supra.*

[17] Presumably despatch 164 of July 28, 1944, not printed.

[18] Joseph E. Johnson, Assistant Chief, Division of American Republics Analysis and Liaison.

[19] Military representative of the United States on the Supreme War Council.

810.24/5–3044

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

WASHINGTON, August 17, 1944.

MY DEAR MR. SECRETARY: The Department of State has recently been giving very careful consideration to the policy issues involved in the procurement in the United States of material destined for the use of the armed forces of the other American republics. In this connection particular attention has been paid to the report of the Joint Advisory Board on American Republics dated December 13, 1943, approved by the Joint Chiefs of Staff and transmitted to the Department under cover of a letter of December 30, 1943, from Admiral Leahy, and to subsequent related correspondence.

It is stated in the Joint Advisory Board report "that under the present strategic situation any major threat to the security of the Western Hemisphere has largely been removed". This opinion is reiterated in the policy statement regarding Lend-Lease procurement [20] approved by the Joint Chiefs of Staff and transmitted to the Department under cover of a letter from Admiral Leahy dated May 30, 1944.[21] I gather from these two documents that the highest military authority of the United States considers that, in general, the allocation of military material to the armed forces of other American republics is no longer essential to the security of the American continent against external aggression during the present war or to the successful prosecution of the war. I realize, of course, that specific exception is made in the cases of Brazil and Mexico.

As you know, the delivery of arms, ammunition and implements of war to the other American republics whether under Lend-Lease or for cash, always involves important political considerations. The relations among other American republics and the relations between the United States and other American republics may be very gravely affected by the allocation of such material to one of those countries. I am of the opinion that, now that any major threat to the security of the hemisphere has been largely removed, considerations of foreign policy should prevail in decisions respecting such allocations. Should the Navy Department or the Joint Chiefs of Staff inform me in any particular case that the threat of aggression is so acute that important foreign policy considerations must be set aside, I shall, of course, defer at once to your judgment.

Because of the foreign policy aspects of requests for materials for the armed forces of other American republics, I consider it necessary that the Department of State be consulted regarding such requests.

[20] *Ante*, p. 97.
[21] Not printed.

In this connection it should be noted that this Department has approved the policy of limiting the assignment of materials to other American republics under Lend-Lease and specifically concurs in the statement of policy transmitted with Admiral Leahy's letter of May 30. In approving this statement, however, the Department of State has not abandoned, and furthermore, because of its responsibility in the field of foreign relations, could not abandon, its right to consider the question of individual assignments from the point of view of their possible effect on the foreign relations of this country.

I am sure that you will agree with me that this matter is one of the utmost importance for the future of the relations between the United States and the other American republics, and that it is necessary that there should be a clear understanding with respect to it.

I am addressing a similar communication as of this date to the Secretary of War.

Sincerely yours, CORDELL HULL

800.24/9–2244

Memorandum by the Secretary of State to President Roosevelt [22]

[WASHINGTON,] August 28, 1944.

The State, War and Navy Departments and the Joint Chiefs of Staff have recently agreed that procurement of materials for the armed forces of the other American republics under Lend-Lease credit shall henceforth be limited to certain specific purposes. A statement setting forth the reasons for adopting this policy and the purposes for which procurement may be approved, has been agreed upon and distributed for the use of United States officials directly concerned. This statement, a copy of which is enclosed,[23] also includes a paragraph relating to cash purchases of materials destined for the armed forces of other American republics.

In the first paragraph of the statement under reference it is expressly recognized that "any large threat to the security of the Western Hemisphere has been largely removed". In view of this fact, I am of the opinion that deliveries of materials to the armed forces of those countries, which always involve important political issues, should henceforth be decided upon primarily on the basis of their effect upon the foreign relations of this country, rather than on grounds of hemisphere defense.

I have felt it desirable to clarify my position in letters for the Secretaries of War and Navy, a copy of which is enclosed.[24]

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[22] This memorandum was approved and marked "CH–OK–FDR" by the President.

[23] *Ante*, p. 97.

[24] *Supra*.

711.00111 Armament Control/9–644

Memorandum by the Department of State Policy Committee

[Extract]

ARA–15 [WASHINGTON,] September 6, 1944.

CONTROL OF ARMS TRAFFIC TO OTHER AMERICAN REPUBLICS

THE PROBLEM

. . . . . .

RECOMMENDATIONS

It is recommended:

(1) That the present system of control over exports of arms manufactured in the United States be reviewed and such steps be taken urgently as may be necessary to make thoroughly effective the Department's authority to control the sale of arms and to extend the Department's authority and control over the furnishing of arms by this Government through Lend-Lease, gift, or any other process to the other American republics except for arms to be used in active participation in the present war.

(In this connection it is to be noted that on August 17 the Secretary, in letters to the Secretaries of War and Navy, expressed the view that under present strategic conditions considerations of foreign policy should prevail in the allocation of munitions of war to other American republics, except for those intended for use in direct participation in the war. A copy of one of these letters was subsequently sent to the President.[25] The letters are now being studied by the Joint Chiefs of Staff.)

(2) That steps be taken at once to formulate the Department's policy for world-wide control of munitions traffic which will meet the problems outlined with respect to the other American republics during the interim period and subsequently thereto. It is emphasized that although the problem has a particular urgency with respect to the American republics, it is essentially world-wide in character and requires the early conclusion of agreements with other nations for the control of munitions traffic from sources outside the United States.

810.24/10–1644

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

WASHINGTON, 16 October 1944.

MY DEAR MR. SECRETARY: I refer to your letter of August 17, 1944 in regard to the policy to be followed in the assignment of Lend Lease material to the other American Republics.

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[25] According to a memorandum by the Department of State Policy Committee dated October 14, 1944, the President approved of the Department's position (711.00111 Armament Control/10–1444).

I referred your letter to the Joint Chiefs of Staff through the Commander in Chief and Chief of Naval Operations[26] for study and comment.

By memorandum dated 5 September 1944 to the Secretary of War and the Secretary of the Navy, the Joint Chiefs of Staff expressed the opinion that, from the Military point of view, the present policies governing Lend Lease to the Latin American Republics should be continued in effect. They felt that, from the long range point of view, national interest will be served best by supplying these Republics with standardized equipment of American manufacture in amounts appropriate to the size and composition of the forces each country should maintain for purposes of hemispheric security.

In implementing the current approved policies during the present condition of relative security of the Americas, the Joint Chiefs of Staff perceive no Military objection to according controlling weight to State Department policy in the determination of the order of priority in point of time of issues of equipment among the Latin American Republics.

Sincerely yours, JAMES FORRESTAL

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[26] Reference is presumably to Adm. Ernest J. King, Commander in Chief, United States Fleet, and Chief of Naval Operations.

INAUGURATION OF STAFF CONVERSATIONS AND THE DETERMINATION OF RESPONSIBILITY FOR NEGOTIATIONS ON POST-WAR DEFENSE IN THE AMERICAS [1]

810.20 Defense/8–144

The Acting Secretary of State to Certain Diplomatic Representatives in the American Republics [2]

WASHINGTON, August 1, 1944.

SIRS: Reference is made to the first paragraph of Department's secret circular instruction of June 24, 1944, subject "Statement on Procurement of Military Material" (File no. 810.24/554).[3]

Enclosed herewith is a draft of a note [4] which you are requested to address to the Foreign Minister of the country to which you are accredited. You will observe that the note proposes that bilateral staff conversations be undertaken with a view to laying the foundations for continued military collaboration between the American Republics in the post-war period, and that if it is agreeable to the government of the country to which you are accredited the United States will send officers to undertake such conversations. You will recall in this connection that similar conversations were undertaken in the summer and fall of 1940. Substantial modifications in the understandings then reached must already be envisaged as necessary in the post-war era. It is of course intended that these preliminary conversations shall be conducted in the light of the fact that the establishment of a general international organization with security functions is anticipated.

In presenting this note you are requested to emphasize orally that this Government is anxious that its proposal to hold these conversations be treated in the strictest confidence.

In certain of the countries to which this circular is directed the armed forces of this Government enjoy operational facilities granted for the duration of the emergency. It is not proposed that the staff

[1] For previous correspondence concerning defense measures, see *Foreign Relations*, 1940, vol. v, pp. 14 ff.

[2] The diplomatic representatives in Peru, Chile, Cuba, Colombia, Venezuela, Uruguay, and Ecuador. The instruction to Ecuador was slightly reworded. A similar circular was addressed on August 26, 1944, to Guatemala, Honduras, El Salvador, Nicaragua, Costa Rica, Dominican Republic, Haiti, Paraguay, and Bolivia.

[3] Instruction not printed, but for policy statement enclosed therewith, see p. 97.

[4] Not printed.

conversations suggested to the other governments concern themselves with the post-war status of these facilities. In your discretion you may so orally inform the Foreign Minister of the country to which you are accredited if you feel there is any likelihood of the proposed staff conversations' being considered as pertaining to that question.

You are requested to inform the Department by telegram of the reply which you may receive to your note. Further instructions will be sent to you in the event that you receive a favorable reply to your note. These instructions will not only inform you of the contemplated date of arrival of the United States officers assigned to undertake the conversations but also will make certain general comments with regard to the manner in which the conversations should be carried out.

Very truly yours, E. R. STETTINIUS, JR.

Quito Embassy files, 1944, IX, 820

Instructions for Staff Conversations With Military and Naval Representatives of the Other American Republics [5]

[WASHINGTON, undated.]

General

1. The Government of the United States, realizing that the threat of aggression upon the sovereignty and territorial integrity of the American republics has been largely removed, but mindful of the importance of joint action for mutual protection in the future, believes it timely to consider the problem of the post-war military security of the hemisphere. It wishes to do so in accordance with the principles of inter-American collaboration embodied in the "Declaration of Lima",[6] and underlying Resolution XV of the Second Meeting of Foreign Ministers at Havana.[7]

2. As a result of the security of this hemisphere being endangered in 1940, military and naval officials of the United States and of most of the other American republics have held discussions and reached agreements regarding the best means to meet the common dangers which

[5] These instructions were formulated by the War and Navy Departments in cooperation with the State Department for the guidance of Military and Naval Attachés in the other American Republics.

[6] Declaration of the Principles of the Solidarity of America, known as the "Declaration of Lima", approved December 24, 1938. For text, see *Report of the Delegation of the United States of America to the Eighth International Conference of American States, Lima, Peru, December 9–27, 1938* (Washington, Government Printing Office, 1941), p. 189. For correspondence concerning the Lima Conference, see *Foreign Relations*, 1938, vol. v, pp. 1 ff.

[7] For correspondence concerning this meeting, held July 21–30, 1940, see *ibid.*, 1940, vol. v, pp. 180 ff. For text of Resolution XV concerning reciprocal assistance and cooperation for the defense of the Americas, see Department of State *Bulletin*, August 24, 1940, p. 136.

confronted them.[8] In 1941, after the passage of the Lend-Lease Act,[9] the United States negotiated Lend-Lease agreements with eighteen of the other American republics [10] as an additional means of furthering cooperation for defense.

3. The military authorities of the United States believe that the time has now come to reexamine, in the light of changed conditions, the existing arrangements and again to exchange information regarding future hemisphere defense. To this end they are holding, or will shortly hold, bilateral joint staff conversations with each of the republics, except Argentina.

4. It is the belief of the United States military and naval authorities that the American republics should be assured of the minimum supply from a secure source of arms adequate for them to share in the defense of the continent and to carry out responsibilities within a general security system.

(*a*) The amount and character of arms necessary for this purpose should be subject to the overriding considerations of any eventual system of general security and arrangements for international regulation of armament which may be brought about.

(*b*) Adequate control of the supply of arms should be established in such a manner as to contribute to the further growth of collaboration and mutual confidence.

5. In order to accomplish these purposes, the military authorities of the United States wish to discuss the nature of the forces to be maintained in each of the republics and eventually to reach understandings regarding other forms of military cooperation.

(*a*) In the interest of further collaboration, the United States would consider continuing to furnish arms to the other republics under mutually satisfactory terms.

(*b*) The United States believes that true integration of inter-American defense would be facilitated by the adoption of standard equipment by the armed forces of the American republics and to attain this objective is prepared to cooperate with the other American republics.

[Here follows section 6, on strategic military areas.]

7. *Approved Policies*

(*a*) "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 a non-American state,

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[8] For correspondence concerning these discussions and agreements, see *Foreign Relations*, 1940, vol. v, pp. 257 ff.

[9] 55 Stat. 31.

[10] For correspondence on lend-lease negotiations with the American Republics, see the pertinent country in *Foreign Relations*, 1941, vol. vi.

when requested so to do by the recognized government of the republic concerned." (Instructions for Staff Conversation—1940) [11]

(*b*) "The United States will assist American republics to acquire armaments, to train their personnel, and to provide the assistance of such advisers as may be desired and available. In the supply of armaments, the United States will assist to the extent that its resources, present program and legal restrictions permit, either by releasing material from its existing stocks, or by making available the necessary manufacturing capacity in government or commercial plants." (Instructions for Staff Conversations—1940.)

(*c*) International cooperative action must include eventual adjustment of national armaments in such a manner that the rule of law cannot be successfully challenged and that the burden of armaments may be reduced to a minimum. (Press statement by Secretary of State Cordell Hull, 21 March 1944.) [12]

(*d*) 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 or defensive alliances.

(*e*) From the viewpoint of military considerations the United States favors appropriate measures designated to equip the armed forces of the other American republics in the greatest possible proportion with United States manufactured matériel. (Stettinius letter of 29 Feb 44.[13])

8. *Assumptions*

(*a*) That the United States alone, or in collaboration with other powers, will maintain adequate armed forces to prevent any large scale aggression against any part of the western hemisphere.

(*b*) That the American republics will, in the future, have a role to play, within the framework of a general international security organization, in the maintenance of peace and security within this hemisphere.

(*c*) That the total armed forces maintained by each country will be in harmony with the foreign and domestic policies of the country concerned, its national resources, its topography, geographical position, manpower and economy.

(*d*) That the armed forces maintained by the other American republics will, in general, be for the following purposes:

(1) To augment the armed forces of the United States in maintaining the security of the western hemisphere.

(2) To maintain internal order and security.

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[11] See telegram 76, May 23, 1940, noon, to Buenos Aires, *Foreign Relations*, 1940, vol. v, p. 16.

[12] Department of State *Bulletin*, March 25, 1944, p. 275.

[13] *Ante*, p. 93.

(3) To provide local defense against isolated attacks or raids.
(4) To protect coastwise shipping.
(5) To augment the armed forces of the United States in protecting overseas commerce.
(6) To provide facilities for the use of such United States or other American forces as may be required for protection against external aggression.

9. *General Objectives*

(*a*) The ultimate purpose of these preliminary staff conversations is to establish on a permanent basis the military relations of the United States and the other American republics so as to promote with respect to the American continent, the United States policy regarding the organization of peace and security.

(*b*) The conversations have the intermediate purpose of laying the foundation for agreements among the American republics as to the armed forces to be maintained by each of them and the relationships which are to exist between the armed forces of the other republics and those of the United States.

(*c*) The introduction of American matériel to the exclusion of foreign matériel in order to permit uniformity of supply in the event of joint operations.

(*d*) The introduction of United States air, ground and naval missions in those countries where such missions have not already been introduced and where applicable.

(*e*) The introduction of United States organization, operating and training methods.

(*f*) The elimination of inter-American jealousies with the end in view that all American republics will act in concert to combat non-American influences and aggressions.

10. *Tasks*

(*a*) To ascertain the desires of the governments of the various American republics relative to size and composition of post-war armed forces.

(*b*) To furnish to the representatives of the other American republics basic cost data and advice relative to the maintenance of armed forces to the end that their desires in this respect will be held to a minimum.

(*c*) To discuss the question of United States training missions with a view to their being requested for the purpose of introducing United States training methods and doctrine.

(*d*) To discuss standardization of armaments with a view to the elimination of matériel of foreign manufacture in the American republics.

(*e*) To discuss military training requirements in the United States of the government concerned.

11. *Factors to be Considered*

(*a*) Foreign policies of the country concerned especially as they relate to the United States and other American republics.

(*b*) Domestic policies affecting the armed forces such as: economics, educational and industrial policies.

(*c*) National resources, including: population, area, length of coast line, national income, probable annual budget available to the armed forces, principal industries, strategic materials, total manpower available for military and naval duties, skilled workmen, communication and transportation facilities—rail, truck, bus, ship, automobile and air.

(*d*) General strategic considerations affecting military collaboration with the United States and other American republics in hemisphere defense, such as: racial characteristics, intelligence level, mechanical aptitude of personnel, geographic and hydrographic features, topography, situation in relation to assumed enemies, foreign commerce by ships and air, coastal commerce and communications.

(*e*) Military and Naval Forces: Organization; manpower standing forces, reserves and untrained; navy bases; air bases; merchant marine; shipbuilding resources; aircraft production; munitions and small arms production; mobility of ships; logistic support.

12. *Joint Use of Operational Facilities*

The question of arrangements respecting the maintenance and use of certain operational facilities for purposes of future hemisphere defense cannot be appropriately discussed in these staff conversations. In the event that the question is broached by representatives of any of the other American republics the United States representatives should merely state that they are not informed on the premises.

13. *Disclosures*

The substance of paragraph 1 to 9(*b*) inclusive, with the exception of paragraph 6, may be disclosed to the military and naval representatives of the other American republics.

14. *Nature of Report*

Reports submitted as a result of staff conversations with military and naval representatives of the other American republics will be in three parts as follows:

1. A tabulation and justification thereof of the proposed strength, organization, material and training program for the Army, Navy and Air Forces of the country concerned. These tabulations will preferably be secured from the Army and Navy representatives of the republic concerned, based on the results of the staff conversations.
2. The remarks and recommendations of the United States staff officers taking part in the conversations concerning the above tabulations, together with comments as to the justification thereof.
3. Pertinent information relative to the willingness of the government concerned, as indicated by the military and naval representatives, to standardize on matériel of American design or manufacture, to

standardize on United States Army and Navy tables of organization, to accept United States ground, navy and air training missions, to exchange obsolete matériel of foreign manufacture for American matériel, and any other pertinent data having a bearing on the military relationship between United States and the government concerned.

15. *Annexes* [14]

I Army Ground Force Plan.
II Army Air Force Plan.
III Navy Plan.

810.20 Defense/8–444

Memorandum by the Ambassador in Cuba (Braden) [15] *to the Assistant Chief, Division of American Republics Analysis and Liaison (Johnson)*

[Extract]

[WASHINGTON,] August 4, 1944.

The memorandum "Instructions for Staff Conversations With Military and Naval Representatives of the Other American Republics" [16] goes into so many matters which directly bear upon the political and diplomatic aspects of our relations with the other American republics as to render it imperative that the consideration and, even more, the discussion and negotiation of these matters in many cases be done by and in all cases be under the direction of the Department and our several embassies. To leave negotiations of this nature to military and naval officers would violate the fundamental law that the Department of State is charged with the conduct of our foreign affairs.

So soon as the ends sought by the War and Navy Departments in these instructions have been approved by the Department of State then, in keeping with the circumstances existent in each republic and in consultation with the respective diplomatic missions, separate programs for the accomplishment of these ends and to meet the conditions in each country should be laid down and thereafter negotiations inaugurated.

Of course at all times we should proceed in closest collaboration with the War and Navy Departments. Also it would be desirable for the chiefs of our diplomatic missions to have military and/or naval officers as technical advisers and, moreover, these, always under the direction of the Ambassador, could on certain technical features

[14] Not attached to file copy of this document.
[15] Mr. Braden was temporarily in Washington.
[16] *Supra.*

carry forward discussions with the military or naval experts of the other republic with whom we might be dealing.

. . . . . .

SPRUILLE BRADEN

825.20/8–744

The Acting Secretary of State to Admiral William D. Leahy, Chief of Staff to the Commander in Chief of the Army and Navy

WASHINGTON, August 7, 1944.

MY DEAR ADMIRAL LEAHY: Upon receipt of General Marshall's letter of July 27 [17] concerning request for military assistance to Chile in the event of attack by Argentina, I informed our Ambassador at Santiago that while the Joint Chiefs of Staff would be prepared to make available certain United States military forces, they felt it important that Brazil join any action of the character envisaged. I told the Ambassador that as Chile had not asked for assurances of protection, we were reluctant to take this matter up with the Brazilian Government unbeknownst to Chile. I suggested two alternatives to Ambassador Bowers:

(1) That we let the matter rest at the present stage, without consulting with officials of the Chilean Government; or
(2) That he discuss this question with the Foreign Minister of Chile, indicating the views of the Joint Chiefs of Staff.

I pointed out to him that it was our own feeling that the possibility of an attack by Argentina on Chile was remote, and furthermore, in the event of an attack, it was our opinion that cooperation by Brazil would be forthcoming almost automatically; hence it might be wiser not to discuss at the present juncture with Brazil the question of assistance to Chile and thus avoid the possibility of a very disturbing effect being created in other of the American republics should these facts, in spite of all precautions, become known.

Ambassador Bowers has now replied that the Chilean Government is grateful for our position but prefers that nothing be said to Brazil at the present time as Chile would be reluctant to have its fears known by others countries. The Foreign Minister stated that there would be no objections to our consulting with Brazil in the event that an attack seemed an immediate prospect but would prefer to have the arrangement kept secret between Chile and the United States as long as it is possible or safe to do this.

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[17] Not printed; General Marshall wrote that certain limited military forces could be made available in the event that Paraguay or Uruguay were attacked by Argentina and if Chile were placed in a similar circumstance, the same forces could be made available to it (725.35/7–2744).

I feel certain that you will understand the position which the Chilean Government has taken, and with which this Government is in entire accord.

Sincerely yours, EDWARD R. STETTINIUS, JR.

810.24/5–3044

The Secretary of State to Admiral William D. Leahy, Chief of Staff to the Commander in Chief of the Army and Navy

WASHINGTON, August 24, 1944.

MY DEAR ADMIRAL LEAHY: I refer to your letter to me of May 30 [18] and to previous correspondence concerning the holding of bilateral staff conversations with representatives of the armed forces of other American republics.

The Department of State is anxious to do everything in its power to ensure the success of these conversations as the first step in promotion of future inter-American military and naval cooperation for the defense of the hemisphere. As you will readily understand, such conversations are not only important for the future relationships between the armed forces of the United States and those of the other American republics concerned but the manner in which they are conducted may also have substantial effects on the political relationship between the United States and those countries. For that reason I believe that it is essential that there be a clear understanding between this Department, the military authorities of the United States in Washington, the United States diplomatic officials in the several countries, and the officers who will be charged with conducting these conversations as to the relationship which should exist between the diplomatic missions and the officers concerned.

While recognizing that the technical questions with which these conversations are to be concerned are primarily military matters, I feel that the chiefs of diplomatic missions, on whom the responsibility squarely rests for maintaining friendly relations, and who are fully cognizant of political forces and personalities within the individual countries, should be in a position to guide the conversations within proper channels.

As you are doubtless aware the Department of State has already requested its chiefs of diplomatic missions in Brazil, Mexico, Chile, Ecuador, Peru, Colombia, Uruguay, Venezuela and Cuba to propose to the governments of those countries that bilateral exploratory staff

[18] Not printed; in this letter Admiral Leahy stated that the Joint Chiefs of Staff approved the suggestion of bilateral exploratory conversations with representatives of the American Republics and indicated that the main responsibility for their conduct would rest with Army and Navy representatives (810.24/5–3044).

conversations be held. It will shortly instruct its chiefs of diplomatic missions in all other American republics (except Argentina) to make similar proposals after word has been received from the nine countries named that they are prepared to appoint officers to join with representatives of the United States Army and Navy in such conversations.

As soon as replies have been received, the appropriate officers of the War and Navy Departments will be informed of the fact. It is my understanding that upon receipt of favorable replies officers will be ordered to proceed to the several capitals in an order suggested by the Department of State.

These officers should report upon arrival in each country to the chief of diplomatic mission who will make the necessary arrangements to introduce them to the proper officials of the other government and to facilitate the holding of conversations. The officers should not enter upon any formal discussions with representatives of the other government until after the chief of mission has indicated to them that all the arrangements are complete.

The chief of diplomatic mission should be kept regularly informed of the progress of the conversations, and shall, if he so desires, appoint a political officer on his staff to be present during the discussions. This political officer would not participate directly but would be present to advise the officers on political questions. The officers should be guided by the judgment of the chief of diplomatic mission. It is assumed that the officers in charge will consult regularly with the Military and Naval Attachés and the Military Attachés for Air.

Special exception to the above should be made with respect to the following countries: Cuba, Mexico, Colombia, Panama. In the first three cases, it is regarded as of the utmost importance that not only the preparations for, but the actual conduct of the conversations be under the active direction of the chief of diplomatic mission. The political situation in those countries and the relations between the military and civilian authorities of the governments are such that, unless this is done, the purpose of holding the conversations may be defeated. The question as to what part the ambassador should play in these conversations should be left to his determination. If he considers it advisable, he should himself take charge of the actual conversations, in whole or in part, being advised on all technical matters, of course, by the military and naval officers.

The situation in Panama is unique in that Panama has no army or navy. Nevertheless, it is believed to be desirable that conversations on military cooperation be held with the Panamanian Government with a view to ascertaining the plans and expectations of that government in so far as future military collaboration is concerned. In this connection it is well to bear in mind that provision must be made in

due course for arrangements following the termination of the Defense Sites Agreement of 1942.[19] Because of the local situation it is the opinion of this Department that the conversations should be conducted with the Foreign Office of Panama by the American Ambassador in collaboration with the commanding officers of the Caribbean Defense Command and the Panama Sea Frontier, or officers designated by them.

It is the opinion of this Department that conversations should be held with Brazil and Mexico before they are initiated with any other republic. It is believed desirable, for political reasons, that conversations should be inaugurated with Colombia, Chile and Uruguay as nearly simultaneously as possible after those with Brazil and Mexico are completed. The Department of State has no further recommendations to make at present with respect to the order to be followed. However, it may be that political considerations will make it desirable to furnish further information on this point at a later date.

While the Department would like to see these conversations initiated in the immediate future, present indications are that neither Brazil nor Mexico will be ready for several weeks and in consequence there must be some further delay in the inauguration of these talks.

It is requested that a copy of this letter be furnished to the officers who will conduct the staff conversations. Similarly this Department will transmit to each chief of diplomatic mission the substance of those sections of the letter which are of general interest and those which refer to his particular country, as well as a copy of the instructions as agreed upon by the Joint Advisory Board on American Republics and representatives of this Department.

Sincerely yours, CORDELL HULL

810.20 Defense/8–2544

The Acting Deputy Director, Office of American Republic Affairs (McGurk), to the Ambassador in Mexico (Messersmith)

No. 104 WASHINGTON, September 1, 1944.

DEAR MR. AMBASSADOR: We were very glad to learn here from your despatch and letter of August 25[20] that the Mexican Government is prepared to enter into staff conversations along the lines proposed in the Department's instruction of August 5, 1944.[21]

In accordance with your request for as full information as possible, I am enclosing herewith five documents. That entitled "Instructions

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[19] For correspondence on the conclusion of this agreement, see *Foreign Relations*, 1942, vol. VI, pp. 577 ff.

[20] Neither printed.

[21] Not printed.

for Staff Conversations with Military and Naval Representatives of the Other American Republics" [22] was prepared in collaboration by representatives of the War, Navy and State Departments and was approved at a meeting at which two representatives of this Department were present. I believe it will give you an accurate picture of the purpose of these conversations and the kind of topics which it is proposed to discuss. The "Army Ground Force Plan", "Army Air Forces Plan", and "Naval Plan",[23] were prepared by the respective services after the basic document was completed. At the request of the War and Navy Departments we prepared here brief statements on the foreign policies of each of the countries with which we propose to hold staff conversations, and it is my understanding that copies of these will also be supplied to the officers who are to conduct the talks. In addition those officers will be furnished with detailed factual information regarding the cost of maintenance of different kinds of equipment and of different types of military units. Army and Navy representatives have told this Department informally that one of their purposes in getting this information together has been to use the figures as a means of discouraging too ambitious desires on the part of military representatives of the other republics. For example, they have cited to us informally the fact that it costs over $3,000,000 a year to maintain at full fighting strength one infantry division, and that it costs $350 an hour, twenty-four hours a day, week in week out, merely to maintain one four-motored bomber whether it is flown or not.

The fifth document enclosed is a copy of a letter which the Secretary has written to Admiral Leahy [24] regarding the relationship of the diplomatic missions to the officers holding staff conversations. This letter was written after it became apparent that our military and naval people here (for your own information, Spears [25] was one of the most obdurate) felt that since these conversations are to be military, fact-finding ones dealing with military matters, the chief of mission should do no more than make the necessary preliminary arrangements and furnish guidance on political matters. We have had extensive and repeated discussions on this point, and have endeavored to emphasize to them that in Mexico, Cuba and Colombia, it is essential that the Ambassador play a larger role than that. No reply has yet been received to the Secretary's letter, so that this question has not yet been definitely settled. Furthermore, the Army people here (and presumably the Navy people as well) do not intend

[22] *Ante*, p. 106.
[23] None printed.
[24] *Supra.*
[25] Rear Adm. W. O. Spears, Senior Member, Joint Army and Navy Advisory Board on American Republics.

to furnish copies of this letter to their representatives until a decision has been reached by the Joint Chiefs of Staff on this matter.

I do not believe that the fact of this question remaining unsettled will cause any difficulties insofar as Mexico is concerned, because it is the plan to assign the task of conducting these conversations there to Admiral Johnson and General Henry as members of the Mexican-American Defense Commission. Your personal relations with them are such as to smooth over all difficulties. Incidentally, for your own information only, Admiral Johnson remarked recently to an officer of the Department that for his part he did not doubt that the purposes of the staff conversations could be successfully accomplished if the matter were left entirely to yourself, the President and Señor Padilla.[26] I rather doubt that General Henry would feel quite the same way.

The question of the timing has been discussed informally here in the light of your letter of August 25. We are informed that both General Henry and Admiral Johnson would be unable to get to Mexico City before about September 18. As that date leaves very little time for the conversations before your departure on the twenty-fifth, it is our feeling that it would be best to put off the talks until after your return. Officers in the War Department have indicated that they do not see any reason why this should not be done. If this is agreeable to you, then you could have full discussions on the subject with Admiral Johnson and General Henry while you are up here, and full preparations could be made to begin the conversations immediately upon your return. Should you for any reason feel that it would be best to hold the talks in the week between September 18 and September 25, will you please let me know as soon as possible so that the necessary arrangements can be made here.

For you own information, it is hoped that the talks with Brazil will be begun the latter part of this month. If favorable replies should come from such countries as Colombia, Chile, etc., we shall probably go ahead with conversations in those countries during October despite the views expressed in the third from the last paragraph of the letter to Admiral Leahy.

With all best wishes,

Sincerely yours, J. F. McGURK

810.20 Defense/9–544 : Telegram

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

MONTEVIDEO, September 5, 1944—10 a. m.
[Received 10 :22 a. m.]

835. In note yesterday Uruguayan Government states that it perceives no objection whatever to initiating the exploratory and informal

[26] Ezequiel Padilla, Mexican Minister for Foreign Affairs.

staff conversations proposed pursuant to Department's instruction of August 1.

In same note Serrato [27] adds that for definitive establishment of peace and mutual confidence in continent he considers of great importance the signing of a great American pact of peace security and mutual protection by which all American countries would mutually guarantee their territorial integrity and respect of their rights on basis of a broad system of peaceful settlement of controversies without restrictions or exceptions. Text by airmail.

DAWSON

810.20 Defense/9–544

Draft Memorandum by the Acting Director, Office of American Republic Affairs (Armour), on Forthcoming Bilateral Staff Conversations [28]

[WASHINGTON, September 5, 1944.]

It is expected that bilateral staff conversations will be held in the near future between military and naval officers of the United States and the other American republics except Argentina for the purpose of exchanging views in exploratory and preliminary fashion concerning hemispheric military collaboration in the post-war period. The Department of State, through its embassies in the other American republics, has been making arrangements for these conversations.

[Here follow several paragraphs on the history of the proposal.]

Purposes

The purposes of the forthcoming staff conversations may be outlined as follows:

1. The fundamental purpose of preparing for the negotiation of new agreements between the United States and the other American republics covering technical military collaboration and the furnishing of military matériel. These agreements would be designed to replace the present Lend-Lease agreements, which must expire with the Lend-Lease Act, and would have as their aim the continuance of hemispheric military collaboration in the post-war period. An inter-American system with well-integrated machinery for military collaboration would be able to play an important role in a world security organization and, by providing for effective hemisphere security, furnish a second line of defense for the United States.

2. The determination of the type and strength of the armed forces to be maintained after the war by the other American republics which would be adequate to continue the inter-American military collaboration referred to above. The successful accomplishment of this purpose would prevent the uncontrolled acquisition of armaments by the

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[27] José Serrato, Uruguayan Minister for Foreign Affairs.

[28] Addressed to Assistant Secretary of State Breckinridge Long.

other American republics and possible unwelcome consequences arising therefrom.

3. The adoption by the other American republics of standardized armament equipment based upon that of the United States. It is hoped that this may be brought about by sales of armaments to the other American republics only by the United States. It would be this Government's concern to assure the minimum adequate supply of armament on terms which would enable the United States to recover some of its financial investment and which also would be within a range acceptable to the other American republics. Sale of surplus war property to the other American republics should be considered in this connection.

4. The opening of United States training establishments and other technical educational facilities to members of the armed forces of the other American republics. Such training would be directed to the end of integrating the armed forces of the other American republics more closely with those of the United States, thereby increasing the effectiveness of inter-American collaboration in the post-war period.

5. The maintenance in the other American republics of United States army, naval, and air missions and the possibility of their establishment in countries which do not now have them. In the further development of hemispheric military collaboration these missions must obviously play an important role as one instrument by which the armed forces of the hemisphere may be integrated. Specifically they would be designed to replace German and Italian missions maintained in many republics before the war and to combat the ideology which may have been in some instances instilled in the armed forces to which these missions were attached.

It should be emphasized that the subjects outlined above will, in the forthcoming staff conversations, be pursued in an exploratory manner only and without the conclusion of even informal agreements or commitments at this time.

810.20 Defense/9–644 : Telegram

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

[Extract]

BOGOTÁ, September 6, 1944—3 p. m.
[Received 11:58 p. m.]

1536. ReDepts mimeographed instruction August 1. Colombian Government in Foreign Office note dated September 4 agrees that measures to continue present collaboration in postwar period should be studied and states that it believes study of Inter-American military collaboration in postwar period on basis of existing principles should not be delayed and that it desires to begin informal conversations to revise existing agreements and to discuss their development.

Note continues by mentioning importance of Canal Zone to Continental defense and offering Colombia's full cooperation in its defense.

Colombian Government understands continental security refers primarily to defense against possible aggression by non-American states but believes security should also include the guaranteeing of the juridical stability of the continent and the territorial integrity of each of the American States whatever the origin of the threat or aggression against that stability or integrity.

In handing me note today Foreign Minister [29] requested me to impress on Department the view of the Colombian Government that while continental defense against external aggressors is obviously highly important it is equally important that nations of South America should be discouraged from becoming engaged in an armaments race. . . .

. . . . . .

LANE

839.20 Missions/9–2044

The Secretary of War (Stimson) to the Secretary of State

WASHINGTON, September 20, 1944.

DEAR MR. SECRETARY:

[The initial sentences deal with the proposed establishment of a Military Mission in the Dominican Republic.] As the War Department is dependent on the Department of State for guidance on the advisability of establishing Military Missions, I consider it appropriate to furnish you with a clear picture of the reasons that motivate the War Department policy regarding the establishment of such Missions in Latin America.

In the exploratory staff conversations that are being initiated, the War Department representatives have been instructed to ascertain from the Latin American military staffs the minimum desires of each government for the organization and size of the respective Armed Forces with the end in view of standardizing the equipment of said organizations along American lines, thereby inducing each government to look to the United States rather than Europe for munitions of war.

If standardization is effected it would, therefore, be of paramount importance that the Government of the United States make available to the government of each Latin American Republic a Military Mission composed of qualified officers to instruct and to train the Armed Forces of each republic in the use and care of the equipment furnished so that long range economy of our resources can be effected. Also, the presence of Military Missions is an essential part of the machinery required to reorient the military thought of Latin America from European influence to the democratic lines of our military doctrine.

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[29] Darío Echandía.

Moreover, the presence of a Military Mission in each Latin American Republic, together with the standardization of organization, training and equipment, would enable the Government of the United States to give advice to those governments which would assist them in determining the size of the Armed Forces required in each republic, thus counteracting in a large measure the tendency toward an arms race, and contributing to the preservation of peace in the Western Hemisphere.

In determining the advisability of establishing a United States Military Mission, cognizance must be taken of the ever present danger that any delay might encourage a Latin American Republic to seek a foreign mission and purchase foreign munitions, which situation might affect the ultimate success of the entire Military Missions program.

In the event you consider it desirable and of informative value to the Ambassadors in Latin America, I suggest you transmit to them the views of the War Department as expressed above.

Sincerely yours, HENRY L. STIMSON

810.20 Defense/9–2044

The Secretary of War (Stimson) and the Secretary of the Navy (Forrestal) to the Secretary of State

WASHINGTON, September 20, 1944.

DEAR MR. SECRETARY: The Joint Chiefs of Staff have referred your letter of August 24, 1944 relative to the bilateral staff conversations which are shortly to be held with representatives of the armed forces of the other American Republics to the War and Navy Departments for action they deem necessary.

Prior to receipt of your letter of August 24, 1944, the War and Navy Departments had included in the letters of instructions for the conduct of staff conversations the following specific instructions:

a. A statement to the effect that preliminary arrangements for the staff conversations would be made through diplomatic channels.

b. Upon arrival in each country, the United States Ambassador would advise on protocol arrangements and make the necessary introductions to the foreign representatives designated to conduct the staff conversations.

c. The United States Ambassador would be kept fully informed of the progress of the conversations and his guidance secured on all political matters which might be interjected.

d. A copy of the estimate of the foreign policies of the country concerned furnished by the Department of State was enclosed.

Upon reference by the Joint Chiefs of Staff of your letter of August 24, 1944, and in order to assure complete cooperation and understanding between the representatives of the three departments, the

War and Navy Departments agreed to issue identical letters of instructions to the military and naval representatives containing additional specific instructions substantially as follows:

a. The senior diplomatic representative will arrange the time and place of the meetings and preside over the initial meeting in each country in order to clarify political matters.

b. The military and naval representatives will proceed with conversations with their opposites in the country concerned consulting with the senior diplomatic representative in case of an impasse.

c. When agreement is reached or conversations terminated, the senior diplomatic representative should express his views privately or in full conference as circumstances may dictate.

The War and Navy Departments consider that the instructions furnished, and to be furnished, the United States military and naval representatives will insure complete coordination and obviate the possibility of misunderstanding or the possible injection of topics foreign to the purpose of the conversations. It is, therefore, requested that the Department of State inform the senior diplomatic representative in each country concerned of the instructions listed herein that have been furnished the military and naval representatives by the War and Navy Departments.

Sincerely yours,

HENRY L. STIMSON
Secretary of War

FORRESTAL
Secretary of the Navy

810.20 Defense/9–2044

Memorandum by the Acting Director, Office of American Republic Affairs (Armour), to the Secretary of State

[WASHINGTON,] October 5, 1944.

THE SECRETARY: A serious difference of opinion has developed between the Department and the War and Navy Departments with respect to the relationship between our diplomatic missions and the army and navy officers who are shortly to hold staff conversations with representatives of the other American republics (except Argentina).

The issue involves not only the State Department's authority and responsibility in the field of foreign relations, but also, in my opinion, the maintenance of good relations with the other republics and the very success of the staff conversations themselves.

When it became apparent that army and naval officers with whom ARA [30] was dealing did not accept our view, it was felt in ARA that it was essential to present the Department's position in writing; a letter to Admiral Leahy was accordingly drafted and signed by you on August 24.

[30] Office of American Republic Affairs.

In reply we received on October 4 a letter of September 20 signed jointly by Secretaries Stimson and Forrestal, in which it is made clear that the War and Navy Departments have not accepted to any substantial degree this Department's position.

Specifically, the points in the Department's letter which the War and Navy Departments do not appear to accept are:

1. That the chief of diplomatic mission should always be in a position to guide the conversations within proper channels.
2. That all chiefs of mission should, if they so desire, appoint members of their staffs to be present at the discussions.
3. That, because of special conditions in Cuba, Colombia, Mexico and Panama, the actual conduct of the conversations in those countries should be under the active direction of the chief of mission, who should decide what role he should play.

(You will recall in this connection that Ambassador Braden, when he was here, gave you a memorandum [31] expressing his whole-hearted approval of this letter.)

I recommend that you personally take this matter up urgently with Secretaries Forrestal and Stimson. No settlement can in my opinion be reached by further correspondence or by discussion at a lower level. I believe it undesirable to proceed with staff conversations with any country except Brazil until this issue is settled, and only this stands in the way of commencing in Chile.

The correspondence is attached for your convenience.

NORMAN ARMOUR

810.20 Defense/10–1044 : Telegram

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

RIO DE JANEIRO, October 10, 1944—9 p.m.
[Received October 11—2:17 a. m.]

3648. My 3586, October 5, 3 p. m.[32] I attended the inauguration of the staff conversations at the Catete palace this morning presided over by President Vargas.

In addition to the three Defense Ministers and respective chiefs of staff, Velloso [33] was also present. Admiral Ingram,[34] Generals Sorensen [35] and Hertford,[36] Commodores Braine [37] and Dodd [38] and Colonel

[31] Memorandum of August 4, p. 111.
[32] Not printed.
[33] Pedro Leão Velloso Neto, Brazilian Acting Minister for Foreign Affairs.
[34] Adm. Jonas H. Ingram, Commander of the Fourth Fleet.
[35] Brig. Gen. Edgar P. Sorensen, Commanding General, Sixth Air Force, Panama Canal Zone.
[36] Brig. Gen. Kenner F. Hertford, Deputy Theater Commander, United States Army Forces, South Atlantic.
[37] Commodore Clinton E. Braine, Chief of Staff, Fourth United States Fleet.
[38] Commodore Harold Dodd, Chief of the American Naval Mission, Brazil.

Barclay [39] and Captain Rend [40] comprised the American military contingent. The President opened the session by referring to a memorandum which Ambassador Caffery had left with him on July 10 [41] proposing joint staff conversations, et cetera, on postwar security measures (this memorandum includes points 1 to 5 contained in item number 2 of the third paragraph of the Secretary's memorandum to the President attached to Department's instruction No. 6022 of June 10 [*12*]).[42] The President stated that he agreed with the terms of the memorandum which he added for all practical purposes amounted to a military alliance and that the memorandum would serve as the basis for the technical conversations to follow. He expressed his views in an extremely friendly and straightforward manner and reviewed the highly satisfactory military collaboration between Brazil and the United States which he recalled was initiated even before Pearl Harbor.

[Here follow two paragraphs on Brazil's relations with other countries.]

The President expressed confidence that the conversations would be highly successful and said that he was especially pleased with the men who have been selected for that purpose.

Admiral Ingram and Generals Sorensen and Hertford stated to me that in their opinion the meeting had been highly successful. Despatch follows.[43]

DONNELLY

810.20 Defense/10–1444

Memorandum by the American Ambassador in Brazil (Caffery) to the President of Brazil (Vargas) [44]

[Extract]

[RIO DE JANEIRO, July 10, 1944.]

. . . . . .

"The Government of the United States of America suggests to the Government of Brazil the opportuneness at this moment of conversations between their respective General Staffs in order to guarantee the military security of the hemisphere in the post-war period. If the Government of Brazil agrees, the Government of the United States

[39] Lt. Col. Ben W. Barclay, Military Attaché in Brazil.
[40] Capt. Charles J. Rend, Naval Attaché and Naval Attaché for Air in Brazil.
[41] *Infra.*
[42] Not printed.
[43] No. 18291, October 14, 1944, not printed.
[44] Embodied in the Minutes of the Inaugural Session of the Brazil–United States Mixed Military Commission, transmitted to the Department in despatch 18291, October 14, from Rio de Janeiro; received October 25.

of America will send immediately to this country military officials to take part in the proposed conversations. It will be recalled that similar conversations took place toward the end of 1940.

"In this connection the Government of the United States suggests also the desirability of concluding with the Government of Brazil a Military Security agreement to guarantee its collaboration in the case of an aggression directed against either of the two countries or against the hemisphere.

"The Government of the United States of America will obligate itself to furnish war material to Brazil in accordance with the following general considerations:

"1) It is in the interests of continental security to maintain on an efficient plane the armed forces of Brazil;

"2) The Brazil–United States Mixed Defense Commissions should continue to be maintained in Washington and in Rio de Janeiro;

"3) The Commissions should draw up recommendations with regard to the needs of Brazil with respect to war material and similar subjects of a technical-military nature;

"4) The war material should be furnished under a new agreement which should be substituted for the present Lend-Lease agreement;

"5) Specialized courses of familiarization for Brazilian officers in the United States, and vice versa, should be continued as part of the military cooperation for the security of the hemisphere.

"The staff conversations should not only include the requirements for matériel and equipment but also the methods for the training of the necessary personnel for the adequate operation and maintenance of such matériel and equipment."

. . . . . .

810.20 Defense/10–1144 : Airgram

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

WASHINGTON, October 11, 1944—6:30 p. m.

A–1779. ReDepts secret circular instruction August 1. Favorable replies to proposed staff conversations have now been received from Peru, Chile, Colombia, Ecuador, Uruguay, and Mexico and conversations began in Rio de Janeiro on October 10. Notes proposing conversations will shortly be presented to other Foreign Ministers. In view of decision reached while Ambassador Braden was here, you should not present note to Cuban Foreign Minister [45] at this time. However, you may in your discretion wish to raise subject confidentially and informally with Grau,[46] telling him formal presentation of note will be held up until he is ready to receive it.

HULL

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[45] Jorge Mañach y Robato.

[46] Ramón Grau San Martín, President of Cuba.

810.20 Defense/9–2044

The Acting Secretary of State to the Secretary of War (Stimson)

WASHINGTON, October 30, 1944.

MY DEAR MR. SECRETARY: The Department is in receipt of the letter of September 20, 1944, signed jointly by yourself and the Secretary of the Navy in which you set forth in reply to the Department's letter of August 24 to Admiral Leahy, the instructions which have been given to the officers who are to hold staff conversations with representatives of the other American republics.

A careful study of these instructions makes it clear that they do not incorporate fully the views expressed in the Department's letter under reference with respect to the relationship between the officers holding the staff conversations and the chiefs of diplomatic missions. The Department regrets that under the circumstances it can not agree with the statement in your letter that "the instructions to be furnished United States military and naval representatives will insure complete coordination and obviate the possibility of misunderstanding or the possible injection of objectives foreign to the purpose of the conversations".

The conflict of views between this Department and the War and Navy Departments is, in the opinion of this Department, a basic one, involving the authority and responsibility of the Department of State in the field of foreign relations, the maintenance of good relations with the other American republics, and the very success of the staff conversations themselves. The Department therefore is reluctantly compelled to refer the entire question to the President for his decision. There is enclosed a copy of a memorandum [47] which is being sent to him on this subject. You will doubtless wish to communicate your views on this matter to him at the same time.

A similar letter is being sent to the Secretary of the Navy.

Sincerely yours, STETTINIUS

810.20 Defense/9–2044

Memorandum by the Acting Secretary of State to President Roosevelt [48]

WASHINGTON, November 1, 1944.

Subject: Forthcoming Bilateral Staff Conversations.

I am reluctantly compelled to refer to you for settlement a serious difference of opinion involving the respective jurisdictions of the State

[47] *Infra.*

[48] In connection with this memorandum, see the memorandum by the Acting Secretary of State to Miss Grace G. Tully, personal secretary to President Roosevelt, p. 129.

Department on one hand and the War and Navy Departments on the other.

The immediate issue relates to the role which our chiefs of diplomatic mission in the other American republics should play in connection with military and naval staff conversations which are shortly to be held in all the republics except Argentina in order to lay the groundwork for future military collaboration.

In essence the position of the War and Navy Departments appears to be that these conversations are military and technical, and therefore the role of the chief of diplomatic mission should be limited to (1) making the necessary preliminary and protocolary arrangements, (2) being kept informed of the progress of the talks, (3) giving guidance on political questions which may be interjected and being consulted in case of an impasse, and (4) expressing his views when agreement is reached or at the conclusion of the talks.

This Department on the other hand is firmly convinced that its responsibilities and those of the chief of mission in the field of foreign policy require that the latter should be entirely free to decide, after consultation with the United States officers who will participate in the talks, how they should be conducted and what part he or members of his staff should take in them. The basis of this position is (1) that, although preliminary and technical, the staff conversations involve political questions of the highest order; and (2) that only the chief political officer on the spot can determine the most effective way to guard against the possibility of political issues imperilling the success of the talks; and (3) that as a matter of principle all conversations, negotiations and other activities of official United States personnel in a foreign country outside of active theaters of military operations should be conducted by or under the direction of the Ambassador, who as your personal representative, is the supreme responsible representative of this Government. (This last appears to be in accord with the general principles laid down by you on May 20, 1942,[49] in clarification of Executive Order No. 9125 [*9128*] of April 13, 1942,[50] relating to the Board of Economic Warfare.)

It is highly desirable that these conversations should begin in the near future. It is impossible to proceed with any country except Brazil until this question is settled.

If you concur in the views of this Department, I should appreciate receiving your permission to communicate your decision to the Secretaries of War and Navy.

I have sent copies of this memorandum to the Secretaries of War and Navy and there are attached for your convenience copies of the pertinent correspondence.[51]

E. R. Stettinius, Jr.

[49] 7 *Federal Register* 3843.
[50] *Ibid.*, 2809.
[51] Not attached to file copy of this memorandum.

810.20 Defense/11–344

Memorandum of Telephone Conversation, by the Acting Director of the Office of American Republic Affairs (Armour)

[WASHINGTON,] November 3, 1944.

Mr. Bundy [52] telephoned on Friday afternoon to say that the letter from the Acting Secretary to the Secretary of War [53] regarding the question of staff conversations had just been brought to his attention. Mr. Bundy said that he regretted very much that this matter was being referred to the President, since he felt sure that we should be able to settle it without bothering the President. Mr. Bundy admitted that the letter signed by Mr. Stimson jointly with Mr. Forrestal had, so far as the War Department was concerned, been handled at lower levels and that Mr. Stimson had not himself had an opportunity to consider the merits of the case and that the letter therefore did not represent his considered opinion.

What Mr. Bundy proposed was that we should attempt to hold up the memorandum to the President and in the meantime that he and I get together and try to work the matter out, and he felt sure that a satisfactory solution could be reached. This would, however, entail his taking the matter up with the Secretary of War, and the War Department would also have to get in touch with the Navy Department.

I told Mr. Bundy that this whole question represented a very fundamental issue and I did not wish him to receive the impression that we felt we could recede from the position we had taken, but I felt sure we would be glad to discuss the matter with him with a view to reaching some solution. However, as the procedure taken had been approved by the higher officers of the Department I would have to consult them further before giving him a definite reply.

I presented the matter at the Policy Meeting in the Acting Secretary's office on Friday afternoon, and it was agreed that we would accept Mr. Bundy's suggestion and try to have the memorandum to the President withheld for the time being. On taking the matter up with the White House, however, it was found that the memorandum had already reached the President's desk and that he had presumably read it. When I so informed Mr. Bundy he said he proposed to have the Assistant Secretary of War, Mr. McCloy, telephone Miss Tully [54] and ask that the President withhold any action for the present, since the letter signed by the Secretary of War did not represent his considered opinion. It was further agreed that Mr. Bundy would get in touch with me early this week to arrange a meeting for further discussion.

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[52] Harvey H. Bundy, Assistant to the Secretary of War.
[53] Letter of October 30, p. 126.
[54] Grace G. Tully, personal secretary to President Roosevelt.

810.20 Defense/11–844

Memorandum by the Acting Secretary of State to Miss Grace G. Tully, Personal Secretary to President Roosevelt

[WASHINGTON,] November 8, 1944.

A few days ago I sent a memorandum to you on bilateral staff conversations with the suggestion that you might wish to show it to Admiral Leahy before bothering the President with it.

Secretary Stimson has just talked with me about it and we feel that we can settle the matter without bothering the President. Therefore, unless he has already taken some action on it, I would appreciate it if you would simply send the memorandum back to me and I shall discuss it directly with Secretary Stimson.

E. R. STETTINIUS, JR.

810.20 Defense/12–744

Memorandum by the Acting Director, Office of American Republic Affairs (Armour), to the Secretary of State

[WASHINGTON,] December 7, 1944.

THE SECRETARY: In accordance with the decision at the meeting in Secretary Stimson's office on November 28, a group of representatives of the State, War and Navy Departments met in Mr. Bundy's office on December 1. A copy of the memorandum of conversation is attached.[55]

At that meeting it was agreed that we in the Department would consider a memorandum prepared by Colonel Edwards and submit any changes the Department might have to suggest.

There is attached a statement which I believe will be accepted by the Secretary of War and which should be accepted by the Secretary of the Navy. It is proposed that this statement be sent by all three Departments to their representatives in the field and form the basis for the relationships between those representatives.

I call your attention particularly to the statement with respect to the responsibility of this Department in the field of foreign relations which appears in paragraph 1 and to paragraphs 2 (*c*) and 2 (*e*) in which certain definite rights and powers are reserved to the ambassador. If satisfactory to you, I shall present copies of this statement to Mr. Bundy for the War and Navy Departments and endeavor to obtain their agreement to it.

NORMAN ARMOUR

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[55] Not printed.

[Annex]

Statement of Procedure in the Conduct of Bilateral Military Staff Conversations in Latin America [56]

[WASHINGTON,] December 7, 1944.

1. The military and naval staff conversations which are to be held with the other American republics involve both the foreign relations of the United States, which are under the President, the responsibility of the Department of State and its representatives abroad, and the military security of the United States, which is, under the President, the responsibility of the War and Navy Departments.

2. The State, War and Navy Departments have accordingly agreed to the following principles which will govern relationships between Department of State representatives and representatives of the War and Navy Departments in the conduct of these staff conversations with other American republics:

a. All preliminary arrangements for military staff conversations will be made through diplomatic channels.

b. The United States Ambassador will be the adviser on all protocol arrangements, make the necessary introductions to the foreign representatives designated to conduct these conversations, attend the opening and closing plenary sessions, and, if he deems it advisable, attend or be represented at other general meetings.

c. Throughout these military staff conversations the Ambassador will be kept fully advised of the progress of all conversations, and although he will have a right to be present at any meeting if he thinks this necessary, it is not contemplated that the Ambassador will find it advisable to be present at conversations of a technical, military and exploratory nature.

d. The Ambassador will have general guidance of the conversations on all political matters.

e. The Ambassador will have the power to veto or terminate any part of the conversations which he considers would have injurious political results, subject to review by the State, War and Navy Departments in Washington.

f. The Ambassador will not have power to give directions to military or naval representatives as to technical military or naval matters.

g. In case the Ambassador and the military or naval representatives disagree as to the conduct of the conversations and the question arises whether military (naval) or political matters are involved, the disagreement will be referred to the appropriate departments in Washington for decision.

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[56] This statement was approved by the War and Navy Departments, and was transmitted with a circular of January 10, 1945, to certain American diplomatic missions for their guidance, and to others on January 16.

810.20 Defense/12–2044

The Ambassador in the Dominican Republic (Briggs) to the Secretary of State

[Extract]

No. 589 CIUDAD TRUJILLO, December 20, 1944.
[Received December 27.]

SIR: . . .

1. Staff conversations, wherever held, may increase (rather than decrease) the estimate by a given country of its alleged military requirements. Without endeavoring to argue against the validity of the general objectives recently outlined by the War Department (standardization of equipment, development of good will as between general staffs, information relative to the plans and sympathies of a given country, et cetera), it seems not improbable that the willingness of a given country to enter into an agreement for exclusive supply by the United States may be determined by such commitments as our Government is in a position to make relative to the foreign government's interpretation of the words "adequate requirements". That is, I foresee that at some stage in the discussion, the question will arise of our willingness to furnish—not what our military experts may estimate to be the minimum needs of a given country—but what the other American Republic concerned may estimate. Unless we are then prepared to make a commitment satisfactory to the foreign government, I should doubt the latter's acceptance (except perhaps on a short-time basis) of an exclusive supply agreement with the United States.

2. I assume that it is taken for granted that within a short time after the termination of actual hostilities there will be a substantial amount of military equipment, munitions, matériel, et cetera, in surplus supply, not only of United States manufacture but also manufactured by other of the United Nations, especially Great Britain, Russia, and France, and perhaps also some of the neutrals. It would seem therefore that as a prerequisite to staff conversations looking toward exclusive supply by the United States, it would be necessary to reach an understanding on the policy level with the governments of the other principal arms manufacturing countries to abstain from offering arms in this hemisphere. In the absence of such a commitment, and having in mind the wartime expansion of the military establishments of many of the American Republics, I do not see how there can fail to develop a traffic in arms far beyond anything previously known, and also beyond what in terms of United States policy we might be prepared to endorse.

To summarize the two foregoing points, it would be my expectation that the holding of staff conversations may disclose a much larger

"estimate of requirements" on the part of the American Republics than has hitherto been discernible, and that unless we are prepared to accept their criteria and to obligate *our* government to meet *their* requirements, there may be scant prospect of negotiating the exclusive supply agreements sought. If that is the case, it would seem prudent to explore in advance of staff conversations the possibility of persuading our principal allies not to enter the New World arms market—either now (when probably few are in a position to do so), or later (in order to satisfy appetites whetted by the conversations themselves).

3. Turning to military missions, I question the accuracy of the War Department's statement that the presence of a United States mission is "an essential part of the machinery required to re-orient the military thought of Latin America from European influence to the democratic lines of our military doctrine." Democratic principles must germinate in the people themselves, and be responsive to their own needs both spiritually and materially. They cannot be imposed from above or without, and hence the connection between a United States military mission and the development of democratic principles in a given foreign country, would appear to be somewhat remote.

4. Furthermore it will frankly be recognized that the governments of a number of the other American Republics are at present military dictatorships, whose leaders have shown little interest in the development of individual liberty and democracy; on the contrary they regard their military establishments as the instruments by which they maintain themselves in power—not infrequently without the consent of the governed. The effect therefore of increasing the efficiency of a dictator's army might primarily be to give greater security to the dictator in question, permitting him to add to the chains whereby the citizens of that country are already shackled. This does not appear to me to be an objective to which our Government would wish to lend itself, and moreover I question whether it would represent "encouragement of all those conditions . . . favorable to the development by men and women everywhere of the institutions of a free and democratic way of life . . .", as set forth by the Secretary in his recent testimony before the Senate Foreign Relations Committee as constituting one of the major objectives of our foreign policy.[58]

5. Our future relations with the other American Republics are going to be based, it seems to me, upon their interpretation both of our inter-American policy and our general world policy; on their belief in the rightness of the objectives of the United States, which may in turn depend largely upon the sum total of our relationship

[58] See the Department's press release, December 21, Department of State *Bulletin*, December 24, 1944, p. 834.

in the field of economic matters, individual commercial dealings, cultural activities, et cetera, as well as on their estimate of the utilization of our vast power potential. Above all, good relations are going to be based on respect, and in the measure in which we apply to the future the principles agreed upon during the past dozen years of our association, so will our New World relationship wither—or prosper.

. . . . . .

Respectfully yours, ELLIS O. BRIGGS

810.20 Defense/12–3044 : Telegram

The Secretary of State to the Ambassador in the Dominican Republic (Briggs)

WASHINGTON, January 8, 1945—8 p. m.

8. Reurtel 557, December 30 [59] and previous correspondence. Although Department appreciates receiving the Embassy's views concerning the impending staff conversations, it is the Department's desire that the Embassy inquire of the Dominican Government as to whether it wishes to participate in such conversations with this Government. Plans for holding these conversations have reached a point where it is not feasible to defer informing the Dominican Government of this Government's offer. It is the Department's view, moreover, that in the light of recent disturbances in Haitian-Dominican relations [60] it would be particularly unfortunate were the Dominican Government to learn that this Government had not requested it to participate but had so requested the Haitian Government. It is expected that the conversations with Haiti and the Dominican Republic will be held after those with other countries have been completed in the hope that by that time the present tension in the Dominican-Haitian relations will have relaxed.

It is again emphasized that these conversations are to be merely exploratory, and will at all times be under the guidance of the Embassy, which is charged with the responsibility of making clear to all participants the preliminary character of the conversations. It is also expected that in the light of the interchange of views expressed during the conversations the Embassy will report both favorable and unfavorable developments which might result from further and more definitive negotiations.[61]

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STETTINIUS

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[59] Not printed.

[60] For correspondence on United States interest in improving these relations, see pp. 172 ff.

[61] The Department did not expect any general reports until the conclusion of conversations, but in the case of Brazil it reminded the Ambassador in airgram A-52, January 10, 1945 (not printed), of the desirability of receiving interim reports even though the conversations had become those of small technical committees (810.20 Defense/11–1544).

INTEREST OF THE UNITED STATES IN THE PROBLEMS OF THE INTER-AMERICAN COFFEE BOARD [1]

561.333D3/1639

The Chairman of the Inter-American Coffee Board (Collado) to the Secretary of State

WASHINGTON, January 10, 1944.

SIR: The Inter-American Coffee Board in its meetings of December 16, 1943 and January 4, 1944 gave serious consideration to the problems arising from the greatly reduced volume of trading in coffee which has occurred since about the middle of November 1943. The Board is of the view that unless action is taken promptly to correct this situation the quantity of coffee sold in the United States will be greatly reduced, the use of coffee substitutes will increase, and per capita consumption of coffee in the United States may be adversely affected for a period of years.

A number of factors have been discussed by the Board in connection with this situation. Among these are the growing reluctance on the part of exporters in some of the producing countries to offer coffee at prices which permit sale within the maximum prices established by the United States, and the effect on the movement of coffee from the producing countries of the system of licensing its importation into the United States.

The Board is of the view that a very important factor in the reduction of trade in coffee is the speculative withholding of coffee, occasioned at least in part by unfounded rumors which have recently been current in the producing countries of the imminence of an increase in the maximum prices of coffee in the United States. It has requested, therefore, that I bring the foregoing to the attention of the Governments of the producing countries and request that they take all possible steps to keep coffee moving to the United States in satisfactory volume.

I have also been asked by the Board to request the competent authorities of the United States Government to consider liberalizing the issuance of coffee import licenses with a view to facilitating the

[1] For correspondence concerning the Inter-American Coffee Agreement, signed at Washington, November 28, 1940, see *Foreign Relations*, 1940, vol. v, pp. 380 ff.; for correspondence relating to negotiations on the disposal of the Brazilian coffee crop, see *ibid.*, 1943, vol. v, pp. 684 ff.; and *post*, pp. 617 ff.

prompt utilization of all tonnage which may be available for the movement of coffee.

The Board would appreciate any action which may be taken with a view to aiding in the improvement of the situation.

Accept [etc.] EMILIO G. COLLADO

561.333D3/1619k : Telegram

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

WASHINGTON, January 10, 1944—7 p. m.

97. Continued from immediately preceding telegram.[2] In the absence of a considerable increase in the volume of sales of coffee by the producing countries, return to coffee rationing in this country in the near future appears inevitable.

The Board is still collecting data which would be useful in considering whether or not to request the Office of Price Administration for a price increase. Penteado [3] states privately that he is willing to drop the matter. It is felt that the majority of the other members of the Board would agree. Since some of the members favor pressing for an increase and since the Board is still collecting data which would be needed if the question were to be taken up with the Office of Price Administration, the matter remains a very disturbing element in the coffee trade.

Members of the coffee trade here have expressed the view that if the National Coffee Department of Brazil were prepared to sell at prices which would permit sales within the Office of Price Administration ceilings coffee in sufficient volume to use shipping which might not otherwise be utilized and if this were known among members of the trade in this country and in Brazil, it would go a long way toward breaking the present impasse.

It is requested that the Embassy discuss with the appropriate authorities of the Brazilian Government steps which the Brazilian Government might be willing to take in addition to any it may already have taken to facilitate the movement of coffee to this country and that it keep the Department informed of all developments having a bearing on the situation.

HULL

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[2] Not printed; this telegram quoted the communication from the Chairman of the Inter-American Coffee Board, *supra*.

[3] Eurico Penteado, Brazilian delegate to the Inter-American Coffee Board.

561.333D3/1625

The Secretary-Manager of the Inter-American Coffee Board (Delafield) to the Secretary of State

WASHINGTON, January 27, 1944.

SIR: I have the honor to inform you that the Inter-American Coffee Board, at its meeting of January 12, 1944, approved the following table showing, for the quota year beginning on October 1, 1943, the adjusted quotas for the exportation of coffee to the United States of America for the other countries participating in the Inter-American Coffee Agreement:[4]

Producing country	*Bags of 60 Kilograms net, or equivalent quantities*
Brazil	10,230,000
Colombia	3,465,000
Costa Rica	220,000
Cuba	88,000
Dominican Republic	131,680
Ecuador	165,000
El Salvador	660,000
Guatemala	588,500
Haiti	302,500
Honduras	21,997
México	522,500
Nicaragua	214,500
Peru	27,500
Venezuela	462,000

The adjusted quotas were calculated in accordance with the Board's resolution of March 11, 1943[5] which provided in part for the establishment, on October 1, 1943 of the quotas for the United States market at 110 percent of the basic quotas, and in accordance with the second paragraph of Article IV of the Inter-American Coffee Agreement which provides:

"In the event that, due to unforeseen circumstances, a country's total exports of coffee to the United States of America exceed in any quota year its export quota for the United States market, that quota for the following year shall be decreased by the amount of the excess".

Accept [etc.] HERBERT DELAFIELD

[4] Signed at Washington, November 28, 1940. For text, see Department of State Treaty Series No. 970, or 55 Stat. (pt. 2) 1143; for supplement of February 27, 1942, see Treaty Series No. 979, or 56 Stat. (pt. 2) 1345.

[5] Not printed.

561.333D3/1632

The Chargé in Venezuela (Flack) to the Secretary of State

No. 5448 CARACAS, February 3, 1944.
[Received February 8.]

SIR: I have the honor to refer to the Department's Airgram No. A–43 of January 21, 1944[6] quoting, for possible use in discussions with the appropriate Venezuelan authorities, a copy of a communication dated January 10, 1944 from the Inter-American Coffee Board to the coffee producing countries with respect to rumors of an increase in the United States ceiling prices for coffee.

The matter was informally discussed with the chief of the coffee section of the Ministry of Agriculture who stated that the abovementioned communication as well as various other similar reports from the United States had been and are continuing to be given considerable publicity in the press, trade publications, and in the Ministry's semimonthly coffee bulletins.

As a result of this publicity, the president of the Venezuelan Chamber of Agriculture explained the basis of his advocacy of the retention of coffee in an open letter dated January 30 which was published in "El Universal" on February 2. Briefly stated, his argument was that the Venezuelan and the Governments of other Latin American coffee producing countries are endeavoring, through representations to the United States Government, to secure an increase in the ceiling price for coffee, and that growers should logically await the result of such representations before selling their coffee. In view of the apparent failure of such representations, as indicated by the abovementioned letter of the Inter-American Coffee Board, it is anticipated that there will be a clarifying statement on this point from the Ministry of Agriculture in response to the letter of the Chamber of Agriculture.

Officials of the Ministry of Agriculture and the Banco Agrícola y Pecuario as well as coffee dealers agree that the activities of the Chamber of Agriculture have had some effect on growers, and to a lesser extent, exporters. As regards growers, however, the possible effect as regards the withholding of coffee for export is considerably minimized by the relatively large proportion of small growers who are obliged to sell their coffee upon harvesting in order to meet debts and expenses. It is also generally agreed that the disappointing crop outlook, now estimated at between 400,000 and 500,000 bags (60 kgs.), is a far more important factor in any possible export shortage owing to the corresponding speculative activity and rising prices on coffee for domestic consumption. This applies particularly to unwashed

[6] Not printed.

grades (*trillado*) and inferior qualities of washed coffee (*lavado*) which are now being used locally. In this regard, one important dealer stated that he cannot meet costs at existing United States prices, and is holding his coffee stocks for sale in the domestic market.

As of January 22, total reported coffee stocks amounted to 163,454 bags (60 kgs.) of which 92,776 bags were at ports and 70,678 bags in the interior. Of the port stocks, 42,481 bags were washed coffee (*lavado*) and 50,295 bags of the unwashed grade (*trillado*). Official registered sales statistics show that coffee sold but as yet unshipped on that date amounted to only 7,170 bags, presumably chiefly "lavados". It was stated, however, at the Ministry of Agriculture that registered sales have since increased substantially, chiefly in "lavados".

Respectfully yours, JOSEPH FLACK

561.333D3/1633 : Airgram

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

BOGOTÁ, February 7, 1944—1:45 p. m.
[Received February 15—1 p. m.]

A–112. In the course of a conversation this morning Dr. Caballero Escovar, Acting Secretary General of the Ministry of Foreign Affairs, told Daniels [7] that Colombia felt it should have a larger basic quota for coffee exports to the United States, under the Inter-American Coffee Agreement, and was considering making a request in that sense. He referred in this connection to the increased production of coffee in Colombia, as contrasted with other producing countries. It was pointed out to Dr. Caballero that in the past other countries had likewise sought increases in their basic quotas, and that the proper channel through which to present any such request would be through the Inter-American Coffee Board. It was further pointed out that the United States had always been reluctant to express approval or disapproval of quota increases requested by individual producing countries, but was motivated primarily by the desire to have the Inter-American Coffee Agreement operated smoothly to the general satisfaction of all the participating countries.

(Mejía [8] has not so far discussed with the Embassy a possible basic quota increase for Colombia.)

LANE

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[7] Paul C. Daniels, Counselor of Embassy.
[8] Manuel Mejía, official of the Federación Nacional de Cafeteros.

561.333D3/1639 : Telegram

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

WASHINGTON, April 3, 1944—8 p. m.

441. The Colombian Embassy in Washington has delivered a memorandum to the Department which in translation is as follows:

"The Government of Colombia has found it impossible to manifest to the Junta Interamericana del Café, during the period of time which has been fixed, its assent to the prolongation of the Convenio Interamericano del Café from the first of October, 1944, since in the Consejo de Ministros, and the direction of the Federación Nacional de Cafeteros and in the coffee trade in general, it has been agreed at present that the development of the agreement is demonstrating that the quota for Colombia clearly results as insufficient for the absorption of an adequate part of the Colombian production. The fact that there have passed scarcely 6 months of the coffee year and it has been necessary to close the registers for exports because the Colombian quota has been filled, has awakened a great anxiety among the producers of exports which accentuates the force of these observations.

For these reasons, the Government and the Federación Nacional de Cafeteros have considered it necessary to have a sufficient time for a greater study of the problem in order to seek the means which there may be to modify the situation and permit Colombia to continue to extend its cooperation in the Junta Interamericana del Café under equitable conditions and in accord with the present reality."

This move is interpreted as an attempt to obtain an increase in the coffee quotas for the current quota year, an increase which, in any event, the Inter-American Coffee Board will probably authorize, possibly at the meeting on April 4.

Camargo [9] has indicated that he will ask for an extension of the period during which participating countries may signify their decision regarding continuation of the Inter-American Coffee Agreement and this will undoubtedly be approved at the meeting on April 4.

Department is of the view that no pressure should be exercised to obtain Colombia's consent to continuation of the agreement if Colombia is actually dissatisfied with it.

Embassy's comments would be appreciated.

HULL

561.333D3/1637 : Telegram

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

BOGOTÁ, April 4, 1944—7 p. m.
[Received April 5—1:41 a. m.]

642. Department's telegram 441, April 3, 8 p. m. Embassy concurs that no pressure should be exercised in effort to obtain consent of

[9] Mario Camargo, Columbian delegate to the Inter-American Coffee Board.

Colombia to continuation of Inter-American Coffee Agreement. It would seem rather that if Colombia seeks modification of the basic quotas established in the agreement the matter might preferably be taken up through the existing channel of the Inter-American Coffee Agreement.

As indicated in the memorandum of the Colombian Embassy, there is a widespread feeling in coffee and governmental circles here that increasing Colombian coffee production as contrasted with other producing countries would justify a relative increase in Colombia's basic quota. It is believed, however, that if an appreciable general increase in the existing quotas is approved for the current quota year any change in the basic quotas would not be insisted upon by Colombia immediately. While it is impossible to predict with certainty it is probable that Colombia will eventually approve the continuation of the Coffee Agreement for the coming year, but will probably also raise the question of a subsequent modification of the basic quotas. As suggested above it is believed preferable for this matter to be handled primarily through the Inter-American Coffee Board rather than through diplomatic channels.

Please telegraph Embassy any change in quotas, forwarding full supplementary information by airmail, particularly in regard to Brazilian attitude.

LANE

561.333D3/1637 : Telegram

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

WASHINGTON, April 7, 1944—8 p. m.

470. Reference Embassy's telegram 642 April 4. Inter-American Coffee Board at April 4 meeting extended to May 31, 1944 the period for approval of extension of Coffee Agreement for 1944–45 quota year. Colombian Embassy's memorandum quoted in Department's telegram 441 April 3 was read at meeting at Camargo's request. Discussion of quota increases indicated support for increases from practically all producing countries except Brazil. Some of the comments made by Camargo and Cáceres [11] indicated possible dissatisfaction with basic quotas of Colombia and Honduras as set up in original agreement. The meeting was adjourned until April 13, 1944. Quotas may be increased at that time.

HULL

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[11] Julián R. Cáceres, Honduran delegate to the Inter-American Coffee Board.

561.333D3/1639

The Secretary of State to the Chairman of the Inter-American Coffee Board (Collado)

WASHINGTON, April 8, 1944.

The Secretary of State presents his compliments to the Chairman of the Inter-American Coffee Board and refers to the Board's communication of January 10, 1944 in regard to problems arising from the reduced volume of trading in coffee occurring after the middle of November 1943.

In view of the request contained in the communication to the effect that the competent authorities of the United States Government be asked to consider liberalizing the issuance of coffee import licenses with a view to the prompt utilization of all tonnage available for the movement of coffee, the Department arranged for representatives of the agencies primarily concerned with this matter to discuss it with the Board at the Board's meeting of January 12, 1944. It is the understanding of the Secretary of State that the aforementioned representatives pointed out at the meeting that coffee import licensing had already been liberalized to a considerable degree and that, although the outlook for shipping was not sufficiently certain to permit coffee to be removed completely from control under the M–63 Order of the War Production Board, this step would be taken as soon as possible. The Board may be assured therefore that the M–63 Order as it applies to coffee will be administered in as liberal a manner as possible so long as it is necessary to allocate shipping for the transportation of coffee, and that coffee will be removed from control under the Order as soon as the exigencies of war-time transportation permit.

821.61333/281

Memorandum of Conversation, by the Director of the Office of American Republic Affairs (Duggan)

[WASHINGTON,] April 18, 1944.

The Ambassador [12] stated that there were two aspects of the coffee situation about which he would like to speak to me.

The first had to do with the increase in the quotas for the current coffee year. He urged that action be taken at once in this regard. I told the Ambassador that it was my understanding that the Coffee Board would meet on Thursday, April 20, to resolve this question.[13]

The Ambassador then passed to the second aspect which he said was much more important. At very great length he went over with

[12] Gabriel Turbay, Colombian Ambassador in the United States.
[13] See *infra*.

me considerations having to do with the justice of the basic quotas. He left with me the attached memorandum,[14] which sets forth these considerations.

The Ambassador said that his Government fully recognized the need for proceeding with very great caution and care in this matter. His Government was not throwing the question before the Coffee Board at this time. It preferred to explore the matter most discreetly outside the Board at this stage. His Government would appreciate the Department's considering the considerations set forth in the memorandum he had left with me, and subsequently his Government hoped that there could be an exchange of views between the two Governments on the matter.

I told the Ambassador that we would be very glad to give our most careful attention to the memorandum he had left with me and that we would get in touch with him when we have carefully gone over it.

561.333D3/1643

Resolution of the Inter-American Coffee Board Authorizing an Emergency Increase in the Quotas for the United States Market

WASHINGTON, April 20, 1944.

WHEREAS:

1.—It is considered desirable, in view of the uncertainty of future shipping availabilities during the present emergency period, to administer the provisions of the Inter-American Coffee Agreement with all possible flexibility, in order that maximum use may be made of all shipping that may become available for transporting coffee to the United States.

2.—The present rate of coffee roastings in the United States indicates that the quantity of coffee which, in any event, could be supplied under the current quotas would be insufficient, to meet the demands of the civilian population and the armed services of the United States, threatening a shortage of coffee of a magnitude that could not be relieved by an increase in the quotas under Article VIII of the Inter-American Coffee Agreement; the

Inter-American Coffee Board

RESOLVES:

1.—To increase the quotas for the United States market as of April 21, 1944 to 159% of the basic quotas in accordance with Article VIII of the Inter-American Coffee Agreement, so that the quotas for the current year will be as follows:

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[14] Not printed.

Country	*Quota**
Brazil	12,259,446
Colombia	4,152,393
Costa Rica	263,644
Cuba	105,458
Dominican Republic	157,866
Ecuador	197,733
El Salvador	790,932
Guatemala	705,248
Haiti	362,510
Honduras	26,361
Mexico	626,155
Nicaragua	257,053
Peru	32,956
Venezuela	553,652

2.—To readjust the quotas for the United States market, as of October 1, 1944, so that they will be 115% of the basic Quotas in accordance with Article VIII of the Inter-American Coffee Agreement.

3.—To transmit copies of the resolution to the Governments participating in the Inter-American Coffee Agreement.

821.61333/274

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

No. 2131 WASHINGTON, May 8, 1944.

SIR: There is enclosed a translation of a copy of a memorandum of April 18 [15] from the Colombian Embassy in Washington, pointing out the desirability, from the viewpoint of Colombia, of altering the coffee quotas to permit the importation into the United States of a larger quantity of Colombian coffee.

The immediate problem has been alleviated to some extent by the increase in the quotas for the current quota year authorized by the Inter-American Coffee Board in its meeting of April 20. As the Embassy is aware, the increase in the case of Colombia amounted to 687,393 bags. It is probable, of course, that the question of increasing the quotas for the present year in order to permit the importation of a larger quantity of Colombian coffee may again be raised. In this event, very strenuous opposition by some of the other countries participating in the Inter-American Coffee Agreement, particularly Brazil and Cuba, is anticipated.

With reference to the question of increasing Colombia's share in the basic quotas, it is felt that this matter, since it involves all countries participating in the Inter-American Coffee Agreement, is also one which should be worked out through the medium of the Inter-

*Adjustments have been made for overshipments during the quota year 1942–1943. [Footnote in the original.]

[15] Not printed.

American Coffee Board. The Department's intention is to advise the Colombian Embassy to this effect. It is felt that the United States Government for the time being, at least, should adopt a neutral attitude concerning the proposal itself.

Colombia is the only country which has as yet not agreed to continuation of the Inter-American Coffee Agreement beyond October 1, 1944. This matter will very probably become involved in the discussion of an alteration in the quotas, since it is believed that Colombia may be unwilling to agree to further continuation of the Agreement until the question of Colombia's future participation in the basic quotas is decided. It is also believed that there is little likelihood of general agreement being reached between now and October 1, with respect to the question of increasing Colombia's share in the quotas. In view of the foregoing, it is doubted that there will be general agreement to continue the Inter-American Coffee Agreement beyond October 1, 1944. Because conditions have changed greatly since the Agreement was negotiated and because it appears that control of international trade in coffee after the war may not be necessary to relieve conditions of surplus production, the Department is of the view that the signatory countries should not be urged to continue the Agreement. Should the Agreement be allowed to lapse, however, it is believed that the Inter-American Coffee Board should explore the desirability and feasibility of replacing it with another agreement which, although probably not establishing quotas, would provide for consultation on coffee problems between representatives of coffee producing and coffee consuming countries, and possibly for participation by countries that are not signatories of the present Agreement.

It is requested that the Embassy supply the Department with its views regarding the note from the Colombian Embassy and the views of the Department expressed above and that it transmit to the Department as promptly as possible any suggestions that it may have as to further procedure.

Very truly yours, For the Secretary of State:
DEAN ACHESON

821.61333/275

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

[Extract]

No. 3776 BOGOTÁ, May 13, 1944.
[Received May 23.]

SIR: I have the honor to refer to the Department's confidential instruction no. 2131 of May 8, 1944 enclosing a translation of a memorandum dated April 18, 1944 received by the Department from the Colombian Embassy at Washington, pointing out the desirability,

from the standpoint of Colombia, of modifying the basic quotas as established by the Inter-American Coffee Agreement to permit the importation into the United States of a larger quantity of Colombian coffee. The Embassy is requested to supply the Department with its views regarding the memorandum from the Colombian Embassy, as well as the views of the Department set forth in the instruction under reference, and to transmit any suggestions it may have as to further procedure.

The Embassy is in full accord with the views of the Department as expressed in the instruction under reference.

With reference to the Colombian memorandum of April 18, the following observations are set forth as of possible interest:

1. Although the figure cited in Section (1) of the Colombian memorandum for average production of exportable coffee in Colombia, namely 5,200,000 bags per year, may appear to be high in relation to past statistical records, the Embassy has no reason to question the accuracy of this figure.

2. It is stated in Section (2) of the Colombian memorandum that there is left a difference of 1,900,000 bags between the "quota" in force and actual production, which would increase surplus accumulations by the Federation [16] in Columbia. Aside from the fact that that figure may already be considered diminished by the amount of 687,393 bags as the result of the quota increase of April 20, it should also be borne in mind that Colombia likewise has a quota for the market outside the United States which now amounts to 1,079,000 bags. While this latter figure is of course unrealistic under present conditions, it will become of increasing importance as the European market reopens and as added shipping facilities make possible increased exports to Canada and other parts of the world. According to the latest weekly Statistical Bulletin which has been received from the Inter-American Coffee Board, Colombia has exported under that quota up to April 22, 1944 121,768 bags; but it is to be assumed that this figure will be increased prior to September 30. In other words, it is believed that in calculating any unexportable surplus of coffee in Colombia account should be taken of the quota for the market outside the United States and not merely consider the United States quota as the only one in effect.

3. The Colombian memorandum refers to the "large stocks already acquired by the Federation in the last three years." It is observed from the last weekly Statistical Bulletin of the Inter-American Coffee Board dated May 3, 1944 that estimated total stocks of green coffee in Colombia are shown as 676,993 bags. This is not considered to be a very large stock. (Of course actual stocks of green coffee in Co-

[16] Federación Nacional de Cafeteros.

lombia, including interior stocks as well as port stocks, are much higher than this figure; accordingly, it might be advantageous for the Colombian Delegate to the Board to provide accurate statistical information on the Colombian coffee situation in order to facilitate an intelligent study of the problem.)

4. There is no doubt that the quotas for some producing countries are relatively high in comparison with their production; and that the percentages reflected by the existing basic quotas for these countries might equitably be readjusted. Sections (4) and (5) of the Colombian memorandum are believed to be substantially accurate. While I hesitate to cite specific countries which might be satisfied with a lesser percentage participation in the total basic quotas (both Articles I and II of the Agreement), a study of past statistical information and recent experience should indicate such readjustments in the basic quotas as could be made without creating unfair hardships. In any discussion of quota readjustments it is suggested that the basic quotas under Article II be given full consideration, so as to alleviate the pressure in obtaining larger quotas under Article I.

5. Under the basic quotas Colombia may export 3,150,000 bags to the United States market and 1,079,000 bags to the market outside the United States—a total exportable production, so to speak, of 4,229,000 bags. If actual production of exportable coffee in Colombia is now running around 5,200,000 bags per year, as claimed, it is believed that Colombia has some justification in seeking an increase in its basic quotas.

6. In Sections (B) and (D) of the Colombian memorandum there is expressed the desire of the Colombian Government to seek modifications in the basic quotas to give Colombia a larger percentage of the total. I agree that this matter should be studied, and see no reason why Colombia should not present its views and arguments to the Inter-American Coffee Board for thorough discussion. The Inter-American Coffee Agreement itself provides the mechanism for bringing about any changes in the text of the Agreement which may be agreed to by the participating governments.

7. Section (C) of the Colombian memorandum states that if no such modifications are approved a very grave situation would result in Colombia. If this should come to pass, Colombia has the legal right under the terms of the Inter-American Coffee Agreement to withdraw therefrom; and since Colombia's participation in the basic quotas established by Article I of the Agreement is not less than 20%, such withdrawal, it is understood, would automatically terminate the Agreement. In other words, the Government of Colombia alone has the power to extricate itself from any situation which is considered unfavorable under the Inter-American Coffee Agreement.

. . . . . .

Respectfully yours, PAUL C. DANIELS

561.333D3/1671

The Assistant Chief of the Commodities Division (Cale) to the Chargé in Colombia (Daniels)

[Extract]

WASHINGTON, May 17, 1944.

DEAR PAUL: . . .

. . . . . .

So far as I know, there is very little sentiment in the Department for terminating the Coffee Agreement at present, if it has to be done on our initiative. Pete Collado [17] and I believe, however, that there are a number of reasons for permitting the Agreement to lapse, provided the onus for doing so were to be borne by some other country.

I see very little reason at present for continuing the quota provisions of the Agreement, which I consider to be its central feature. It is my belief that maintaining these provisions will inevitably involve the United States Delegate in differences of opinion with delegates from the producing countries. For example, as you know, sentiment in the Board was quite divided concerning the quota increase voted on April 20. I believe that developments, since the Agreement was negotiated, have made it difficult, if not impossible, to reconcile Brazilian and Colombian points of view regarding changes in the quotas.

Some of the members of the coffee trade in this country are of the view that coffee producers are lining up solidly with a view to forcing an increase in the ceiling prices in this country. Although such a development would, of course, have been possible if there had been no Agreement, I am sure that the Coffee Agreement has made it easier for the coffee producing countries to get together on matters such as this, should they so desire. Should the question of a price increase come to a showdown, it appears to me that there are only two possible ways in which it might be resolved, unless the producers are willing to sell freely at present prices. First, the Office of Price Administration might raise the ceiling price on both green and roasted coffee. Since coffee is a cost of living item, such a development might be seized upon by interests in this country in support of other price and wage increases. This would be a difficult situation to face from the viewpoint of domestic politics. Second, the Office of Price Administration might decide not to increase coffee prices, regardless of the consequences. Pursuing this course of action might lead directly to a resumption of rationing in this country.

Although it can be argued that it is not the quotas which are primarily responsible for present price difficulties, I am sure that there

[17] Emilio G. Collado, Chairman of the Inter-American Coffee Board.

would be a tendency in this country to blame the Agreement if either of the aforementioned conditions developed. Also, the Agreement by restricting purchases in countries which are willing to sell additional coffee at present prices, does tend to make the position of the OPA more difficult. In addition, there seems to me to be an inconsistency between continuance of the quotas, which were initially looked upon as a means of increasing coffee prices, and maintenance of this Government's price stabilization policy.

Although the coffee surplus problem was acute at the time the Agreement was negotiated, and although coffee production in the past has for many years been characterized by surplus production, it does not appear to me that the outlook is one of surplus production for the next few years. In fact, there seems to be a definite shortage of mild coffees at the present time, and, with the opening up of the European market, I am not at all sure that there will be more than enough coffee in the world to meet total coffee requirements.

The foregoing, and my belief in the policy of holding trade restrictions to a minimum, are the principal reasons why I believe that discontinuance of the quota provisions under the Coffee Agreement at this time would be beneficial, provided the initiative for action leading to discontinuance were taken by some country other than the United States.

. . . . . .

With kindest personal regards, I am
Sincerely yours, EDWARD G. CALE

821.61333/275a: Telegram

The Secretary of State to the Ambassador in Columbia (Lane)

WASHINGTON, May 25, 1944—7 p. m.

700. At meeting of the Inter-American Coffee Board on May 25, the Colombian delegate stated that although Colombia would like to continue participating in the Inter-American Coffee Agreement, it could not approve continuation of the Agreement unless the Board were to recommend to the signatory governments that Colombia's participation in the quotas be increased. He suggested that Colombia's share in the quotas be raised to 24 percent. The United States delegate declined to take a position as to whether or not Colombia's share in the quotas should be increased. There was no support for the Colombian proposal on the part of delegates from other of the producing countries.

The Board adjourned to meet again on May 31. In the absence of further action by the Board this is the last day on which par-

ticipating governments may notify the Board of their decision with respect to continuation under the resolution adopted by the Board in its meeting of April 4, extending the notification period in accordance with Article XXIV of the Agreement.

HULL

561.333D3/1651a : Circular telegram

The Secretary of State to Certain Diplomatic Representatives in the American Republics [18]

WASHINGTON, June 2, 1944.

At meeting of the Inter-American Coffee Board, May 31, the Colombian Government notified the Board that Colombia is agreeable to continuation of the Inter-American Coffee Agreement for one year from October 1, 1944. Since this completes acceptances by participating countries, Agreement will be continued in accordance with Article XXIV thereof.

HULL

561.333D3/6-3044

Memorandum by the Director of the Office of Economic Affairs (Hawkins) to the Secretary of State

[WASHINGTON,] June 30, 1944.

THE SECRETARY: I hope with the explanation that follows that you will express to the Brazilian Finance Minister, Dr. Arthur Souza Costa, our great appreciation for his cooperation in the present coffee problem and the apparent inevitable need for increasing quotas this year, in favor of Colombia.

We are discussing with the Brazilian Finance Minister, at the insistence of the War Food Administration and the Quartermaster General's Office, the serious coffee inventory situation which may lead to renewed coffee rationing. The blame for rationing would be placed squarely on Brazil.

The facts in brief are as follows:

Brazilian private speculators have withheld shipments since last December in the expectation of ceiling increases (despite a recent categorical denial by OPA of such intention). As a result, ships scheduled to load Brazilian coffee have arrived with part or no cargoes. WSA [18a] thereupon transferred tonnage away from Brazil to more pressing war purposes.

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[18] Sent to Colombia, Brazil, Venezuela, El Salvador, Mexico, Guatemala, Nicaragua, Costa Rica, Honduras, Cuba, Dominican Republic, Haiti, Ecuador, and Peru.

[18a] War Shipping Administration.

In the meantime, however, the Finance Minister took vigorous steps to force coffee into this market. In taking these measures, however, the Finance Minister incurred the enmity of power interests in São Paulo.

The intention of War Food Administration and Quartermaster General to have the Inter-American Coffee Board increase coffee quotas in order to permit one million bags of Colombian coffee to enter before the end of the quota year, October 1, would thus avoid rationing. The Brazilian objection to increased quotas is based on the effect on American roasters' blending practices and the American taste, since increased quotas will benefit Colombia only. It would, however, seriously embarrass the Finance Minister, especially by its timing at the moment of his arrival in the United States and in the face of his vigorous, though belated cooperative measures in Brazil.

HARRY C. HAWKINS

561.333D3/6–3044

Memorandum of Conversation, by the Chairman of the Inter-American Coffee Board (Cale)

[WASHINGTON,] June 30, 1944.

Participants: Arthur Souza Costa, Brazilian Finance Minister.
Mr. Carlos Martins, Brazilian Ambassador.
Mr. Eurico Penteado, Brazilian Delegate, Inter-American Coffee Board.
Mr. Valentim Bouças, Head of the [Brazilian] Commission for the Control of the Washington Agreements.
Mr. Ivan B. White, Second Secretary, American Embassy, Rio de Janeiro.
Mr. James Delafield, War Food Administration.
Mr. Hawkins, ECA.[19]
Mr. Walmsley, BA.[20]
Mr. Cale, CD.[21]

Mr. Hawkins opened the meeting by stating that we had requested the meeting in view of our belief that it would be desirable for us to take advantage of the presence of the Brazilian Finance Minister in Washington to discuss certain coffee problems of mutual interest to the United States and Brazilian Governments.

Mr. Delafield then reviewed the difficulties which have been experienced in purchasing coffee in Brazil during the last six months and

[19] Office of Economic Affairs.
[20] Walter N. Walmsley, Jr., Chief, Division of Brazilian Affairs.
[21] Commodities Division.

indicated that we had been compelled, because of an absence of assured cargoes of Brazilian coffee, to divert some 20,000 tons of shipping from Brazil in June and approximately 30,000 tons in July. He also pointed out that in many cases coffee has not been ready for delivery at the time shipping has been scheduled for it and that it has been necessary to schedule the shipping a second or even a third time for the same coffee. He stated that American importers, including the Office of the Quartermaster General, are having considerable difficulty in obtaining delivery of coffee on the dates scheduled, and that, on the basis of records filed with his office by United States importers, there are at present sales contracts for the shipment of only 68,000 bags of coffee from Brazil during August. He said that the amount of shipping allocated to Brazilian coffee for June and July, even on the reduced basis, was considerably in excess of assured coffee cargo and that he felt it would be exceedingly risky at a time when shipping is scarce to allocate any considerable tonnage to Brazilian coffee for August, unless a definite assurance could be given that the coffee would be available when the shipping arrived.

The Finance Minister stated that he understood and sympathized with the position taken by Mr. Delafield regarding the matter. He stated that Brazilian growers and exporters are withholding coffee from the market in the hope of obtaining better prices at a later time, that he does not favor such withholding because of the importance which he attaches to maintaining the position of Brazilian coffee in the United States market, and that the Brazilian Government is resolved to take the necessary action to force a resumption of trade, although such action is sure to arouse strenuous opposition.

Mr. Cale inquired as to action which might be immediately taken by the Brazilian Government in this connection. He called attention to his understanding that coffee of the 1944–45 crop on which a bonus of one bag would be paid for each ten bags exported, would not begin to become available for shipment from Brazil until some time in September. He said that if this understanding were correct, the action which might be taken by the Brazilian Government would seem to be limited to sales which it might be prepared to make out of its own stocks. In this connection he called attention to the fact that a recent report from Brazil (no. 511, of June 10, 1944),[22] regarding the composition and distribution of coffee stocks in Brazil, indicated the DNC [23] owns approximately 15,000,000 bags of coffee of which about 7,000,000 bags are pledged against the São Paulo coffee loan and the remaining 8,000,000 bags is perhaps unsuitable for the United States market.

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[22] Not printed.
[23] Brazilian National Coffee Department.

The Finance Minister agreed that a large part of the unencumbered coffee is of types not commonly used in the United States.

Mr. Cale then stated that the same report to which he had referred said that the 7,000,000 bags pledged against the São Paulo coffee loan are not available for export. The Finance Minister and Mr. Bouças both said that the only condition necessary to the sale of such coffee was the purchase and retirement of the bonds and that no "red tape" or delay need be involved in this action. The Finance Minister indicated, furthermore, that the Brazilian Government was willing to sell such coffee in order to force a resumption of trade.

He raised the question, in view of the foregoing, whether the United States delegate to the Coffee Board would support a resolution for an increase in the quotas under the Inter-American Coffee Agreement. Mr. Cale stated that the question of such an increase was under consideration, as the Finance Minister was aware, and that this was one of the reasons why we had asked for the appointment to discuss coffee problems with representatives of the Brazilian Government. He then summarized the information regarding coffee supplies and requirements between now and October 1 as follows:

[Here follow a table of statistics and a discussion on coffee supplies and needs.]

The Finance Minister inquired whether, if large quantities of coffee were afloat as of October 1, it would be necessary to have an inventory of 3,900,000 bags on that date. Mr. Delafield stated that he would be prepared to see the inventory drop slightly below this figure, provided there were large shipments on the way to the United States on October 1 and provided there were assurances in the form of completed sales contracts that coffee would continue to be forthcoming in satisfactory volume for several months. The Finance Minister indicated his willingness to sell 1,000,000 bags of coffee to the Army for shipment during August and, by implication, that he was prepared to assure large shipments for both civilian and military requirements in ensuing months. Mr. Cale stated that even under these conditions he felt that the inventory on October 1 would be unsatisfactory. The Finance Minister stated that he thought we had no problem as he was prepared to sell 1,000,000 bags to the Army for August shipment and to assure shipment of large quantities of coffee for a period of several months.

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561.333D3/7–244

Memorandum of Conversation, by the Chairman of the Inter-American Coffee Board (Cale)

BRETTON WOODS, NEW HAMPSHIRE, July 2, 1944.

Participants: Mr. Arthur Souza Costa, Brazilian Finance Minister.
Mr. Valentim Bouças, Head of the Commission for the Control of the Washington Agreements.
Mr. Ivan B. White, Second Secretary, American Embassy, Rio de Janeiro.
Mr. James P. Delafield, War Food Administration.
Mr. Acheson, A–A.[24]
Mr. Wright, ARA.[25]
Mr. Cale, CD.

In opening the meeting Mr. Acheson stated that we desired to pursue somewhat further the subject of an understanding concerning the sale and shipment of Brazilian coffee to the United States. The Brazilian Finance Minister stated that it was his impression that a complete understanding regarding this matter had been reached during his discussion of June 30 with us in Washington.[26]

Mr. Cale said that it was his impression that the basis of an understanding had been reached in Washington and that since talking to the Finance Minister he and Mr. Delafield had had an opportunity to explore the matter somewhat further with other representatives of the United States Government and were now in a position to make a more definite proposal to the Finance Minister than had been suggested in Washington.

The Finance Minister indicated that he expected that this new proposal would contain a provision for some upward adjustment of the quotas and that he would be very much opposed to such a provision because it would make his position in forcing the sale of Brazilian coffee very much more difficult, if not impossible.

Mr. Wright and Mr. Acheson assured the Minister that our desire was to reach an understanding that would involve no increase in the quotas.

The Finance Minister produced a statistical compilation which he had made during our conversation with him on June 30 (see CD's memorandum of that date) and stated that he felt that we had no problem if he were to sell 1,000,000 bags of coffee to the Army for shipment during August. In this connection he pointed out that we had stated that an inventory of 3,900,000 bags would be desirable as

[24] Dean Acheson, Assistant Secretary of State.
[25] James H. Wright, Assistant to the Director, Office of American Republic Affairs.
[26] See p. 150.

of October 1 and had indicated that we would have an inventory on October 1 of 3,165,000 bags. The sale of 1,000,000 bags of coffee by the Brazilian Government to the Army, he said, would therefore give us an inventory on October 1 of 4,165,000 bags and eliminate our problem.

Mr. Cale and Mr. Delafield called attention to the fact that an allowance of 1,700,000 bags of coffee had been made in the compilation for Army requirements and that of this amount the Army had bought only 700,000 bags and would therefore need to buy an additional 1,000,000 bags. It would therefore take the million bags the Minister planned to sell the Army to give us the inventory of 3,165,000 bags on October 1. This indicated the need, they said, of an arrangement whereby an additional quantity of coffee would be sold by Brazil for shipment during August. They expressed the view that this quantity should not be less than 500,000 bags.

In response to a question from the Finance Minister they stated that the complete proposal would involve the sale of 1,000,000 bags of coffee to the Army by July 15 for shipment during August, such coffee to be of types suitable for consumption by the Army, and the assurance by the Brazilian Government of further shipments of coffee from Brazil in the amounts of 500,000 bags during August and 1,000,000 bags each month from September through December inclusive. They further stated that they proposed that all the coffee should be sold through normal trade channels at prices which would permit resale within United States price ceilings and that coffee other than that sold to the Army should be of types suitable of civilian consumption in the United States. (The descriptions subsequently agreed upon for Army and civilian coffee were the same).

Mr. Wright stated that should the Finance Minister approve the foregoing proposal, the United States Government would instruct its delegate to the Inter-American Coffee Board not to recommend or support a resolution providing for a further increase in the quotas during the current quota year.

The Finance Minister indicated his willingness to reach such an understanding provided he could obtain assurance from Mr. Guedes [27] of the DNC that it would be possible for the DNC to deliver the quantities of coffee within the time limits of the foregoing proposal. He stated that he would communicate with Mr. Guedes immediately and would inform us of his decision following receipt of the reply.

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[27] Jayme Guedes, President of the DNC.

561.333D3/7–344 : Telegram

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

WASHINGTON, July 3, 1944—10 p. m.

2048. From White [28] for Donnelly.[29]

1. Representatives of the Department and other interested agencies have reached an understanding with Souza Costa [30] under which the National Coffee Department will assure the sale of 1,500,000 bags of suitable quality coffee for August shipment to the United States, 1,000,000 of which will be for the armed forces. In addition, Brazil has assured the sale of a total of 1,000,000 bags monthly of suitable quality for the months September through December.

2. In order to meet Army requirements and to avoid rationing, it is imperative that this program be executed expeditiously and in full.

Souza Costa has informed National Coffee Department of the above and is awaiting latter's confirmation that program will be met. Please keep in close touch with Guedes and trade and inform Department by telegram of prospects for execution of understanding. [White.]

HULL

561.333D3/7–444

Memorandum of Conversation, by the Chairman of the Inter-American Coffee Board (Cale)

[WASHINGTON,] July 4, 1944.

I stated that if Mr. Camargo had no objection I felt it would be desirable for us to compare notes as to what our positions would be in the meeting of the Inter-American Coffee Board on July 5 concerning the question of a possible increase in the coffee quotas.

Mr. Camargo said that he would be glad to discuss the matter with me. He pointed out that the Colombian delegate had vigorously pressed for a larger increase in the quotas than was authorized by the Inter-American Coffee Board in its meeting of April 20 and that he had likewise attempted to obtain an increase in Colombia's basic quota prior to acceptance by the Colombian Government on May 31 of the Board's recommendation that the Inter-American Coffee Agreement be continued for a further year beyond October 1, 1944.

He called attention to the fact that in agreeing on May 31 to continuation of the Agreement he had stated that the Colombian Government had decided that it would prefer to find a means for solving its surplus problem domestically rather than to take action which would

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[28] Telephoned by Ivan B. White from Bretton Woods, New Hampshire.

[29] Walter J. Donnelly, Counselor of Embassy for Economic Affairs in Brazil.

[30] Reference is to the Memorandum of Understanding signed at Bretton Woods, N.H., July 4; text transmitted to Rio de Janeiro in airgram A–932, July 6, p. 632.

mean the termination of the Inter-American Coffee Agreement. (After the meeting of May 31 Mr. Camargo had stated to me that he was of the opinion that the Government would soon embark upon a program calling for governmental purchase of a substantial quantity of coffee).

Mr. Camargo stated that the decision reached by his government in May was taken after careful deliberation and that it was not likely to be changed quickly. He expressed the view that members of the United States coffee trade, who had stated in April that they would be satisfied with an increase in the quotas of only twenty percent, had made a mistake since this action had left the Colombian delegate without effective support in his attempts to obtain a larger increase in the quotas. He pointed out that United States importers at present appear to be concerned over the possibility that the Colombian Coffee Federation will purchase substantial quantities of coffee but stated that members of the trade would have no one to blame other than themselves should such a development occur.

With respect to the meeting on July 5 he stated that under instructions he had received up until the time of our conversation he would take the position that the Colombian Government had no interest in the question of a quota increase. He said that it was possible that he might receive different instructions prior to meeting but that he did not expect them.

I expressed relief at this information in view of the fact that I was not in a position to recommend or support a resolution calling for an increase in the coffee quotas. I stated that I felt that the spirit of the Inter-American Coffee Agreement demanded that all other practicable efforts in supplying United States coffee requirements should be explored before resort was made to the emergency powers for increasing the quotas provided for in Article VIII of the Inter-American Coffee Agreement. I added that this did not mean that the question of a readjustment in the basic quotas could not be considered on its merit nor that the United States delegate might not recommend an emergency increase in the quotas provided no alternative method of satisfying the United States coffee requirements was found.

I pointed out, however, that the Brazilian delegate to the Board and officials of the Brazilian Government had requested that the United States Government attempt to find a solution for the present coffee problem by providing additional tonnage for Brazilian coffee. I said that the problem had not been one so much of tonnage as of having cargoes of coffee available in Brazil when the shipping arrived. I stated that this matter had recently been brought to the attention of officials of the Brazilian Government who had given us assurances that normal trading in Brazilian coffee would be resumed and that

for this reason my Government was not disposed to press for a quota increase at the present time.

I inquired concerning the quantity of Colombian coffee which Mr. Camargo felt would be sold for shipment from Colombia during the present quota year if the coffee quotas were increased. He avoided giving a direct answer to this question, saying that it depended upon a number of factors including the willingness of Colombian exporters to sell at current prices. He subsequently expressed the view that the quantity of coffee available would perhaps amount to as much as a million bags.

561.333D3/7–744 : Telegram

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

RIO DE JANEIRO, July 7, 1944—3 p. m.
[Received 4:30 p. m.]

2430. Guedes now attempting to form group of nine large Santos exporters to carry the understanding mentioned in Department's 2048, July 3, 10 p. m. He states that several of the firms have already promised to cooperate and pool resources, but he does not expect to be able to give definite assurances until some time next week.

Meanwhile DNC moving average of 20,000 bags a day from its stocks at São Paulo to Santos from which it can loan coffee to firms prepared to ship.

Embassy will immediately report all further developments.

CAFFERY

561.333D3/6–2744 : Telegram

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

WASHINGTON, July 8, 1944—9 p. m.

2116. The understanding regarding the sale of Brazilian coffee outlined in Department's telegram no. 2069 of July 7 [31] was designed for the dual purpose of acceding to the wish of the Embassy and the Brazilian Government that the Brazilian Finance Minister be not embarrassed in view of his recently announced policy of making coffee freely available for sale under Office of Price Administration price ceilings (last paragraph of Embassy's telegram 2332, June 27 [32]) and of assuring a supply of coffee which will be critically needed in the United States by October 1.

Unless the flow of Brazilian coffee is resumed in accordance with the understanding it will undoubtedly be necessary within a rela-

[31] Not printed, but for substance of Memorandum of Understanding of July 4, see telegram 2048, July 3, 10 p.m., to Rio de Janeiro, p. 155.
[32] Not printed.

tively short time to ration coffee again in the United States. Such a development would undoubtedly arouse serious criticism in this country and might have very harmful consequences for the Inter-American Coffee Agreement and inter-American relations generally. It is therefore imperative that all possible steps be taken to assure that Brazilian commitments under the memorandum are fully and promptly fulfilled.

What is contemplated in the memorandum is that coffee pledged as security for the bankers loan should be used promptly and in such volume as is necessary up to 5½ million bags, to supply immediate needs in the United States and to force a resumption of private coffee sales.

The Finance Minister has stated that the coffee will be used for this purpose. The description of the coffee to be made available under the memorandum is such, in fact, that the banker's stock will undoubtedly have to be used. The Finance Minister has stated further that all that is needed to make the coffee available is repurchase of the bonds and that this would involve no delay.

The United States would have no alternative other than to recommend a quota increase immediately if it should become apparent that Brazil will be unable or unwilling to fulfill her commitment, for we cannot afford to return to coffee rationing with quotas in effect which would limit the importation of coffee from any source.

Please keep in constant touch with the situation for the purpose of assuring that the DNC is offering coffee both for military and civilian consumption in accordance with the understanding.

Please keep the Department fully and promptly informed of developments, including the Embassy's opinion as to the extent to which the Brazilian Government will be willing or able to fulfill its commitment.

HULL

821.61333/7–2744 : Telegram

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

WASHINGTON, July 27, 1944—2 p. m.

921. More than sufficient coffee has already arrived in this country to fill the current Colombian quotas. Furthermore, although it is believed that no further increase in the quota will be authorized during the present quota year, the War Shipping Administration is anxious to continue moving Colombian coffee to the United States and has shipping available for this purpose. In consideration of the foregoing, the Inter-American Coffee Board at its meeting July 25 authorized producing countries filling their quotas to ship an additional quantity of coffee to this market, up to 25 percent of their basic

quotas, for warehousing under customs supervision and entry after the beginning of the quota year on October 1. This resolution was opposed by the Colombian delegate on the ground that it was too early to consider such action; that difficulties and expenses would be involved in warehousing such coffee; and that the agenda of the Coffee Board meeting did not contain a specific reference to this matter.

Most of the members of the Board were in favor of handling the matter at once, however, in view of the need for an immediate decision with respect to disposition of coffee already in the United States and of their opinion that such action would be entirely appropriate under the agenda of the meeting. Since the Colombian delegate has recently stated that his Government is no longer interested in the question of a quota increase and since the resolution would constitute approval by the Board of action by the Colombian Government in shipping coffee to this market in a quantity which is contrary to the first paragraph of Article 4 of the Inter-American Coffee Agreement, the position of the Colombian delegate is difficult to understand. An instruction containing additional background information concerning this matter will be forwarded to you as soon as possible.

The Board's action is, of course, only permissive so far as future shipments from the producing countries are concerned. It is urgently necessary to ascertain whether the Colombian Government will permit the exportation of further coffee in accordance with the resolution. The War Shipping Administration, just prior to the meeting of July 25, had informed the Department that it had two vessels in position to call at the port of Buenaventura for coffee within the very near future but that it understood the Colombian Government was not permitting the shipment of further coffee and that it wished information as to whether the Colombian Government would release coffee for export on the vessels provided they were routed into the port of Buenaventura. From a shipping viewpoint it is desirable to schedule a regular flow of coffee from Colombia to the United States regardless of the status of the quota.

This matter has been brought to the attention of the Colombian delegate, and it is presumed that he will take it up with his Government. It is requested, nevertheless, that the Embassy also bring it to the attention of the Colombian authorities and that it report to the Department urgently its recommendation as to whether or not the two vessels in question should be routed into the port of Buenaventura and whether coffee will be released for additional vessels which may be available in the future.

HULL

561.333D3/7–3144

The Chairman of the Inter-American Coffee Board (Cale) to the Secretary of State

WASHINGTON, July 31, 1944.

SIR: I have the honor to inform you that at its meeting of July 25, 1944 the Inter-American Coffee Board adopted a resolution authorizing the coffee producing countries, participating in the Inter-American Coffee Agreement, once they have exported the full amount of their respective quotas for the present quota year, to export to the United States before next September 30 additional amounts of coffee up to an additional amount which does not exceed 25% of their respective basic quotas. A copy of this resolution is attached hereto for your information.[33]

Respectfully yours, EDWARD G. CALE

561.333D3/8–2644

Memorandum by the Chairman of the Inter-American Coffee Board (Cale) to the Acting Deputy Director, Office of American Republic Affairs (McGurk)

[WASHINGTON,] August 26, 1944.

The Inter-American Coffee Board now has under consideration the question of extending the Inter-American Coffee Agreement beyond September 30, 1945 in accordance with Article XXIV[34] of the Agreement. One of the difficulties in deciding whether or not to continue the Agreement is the fact that it still has more than a year to run and that conditions even at the time the present Agreement expires may be very different from those existing today. It is understood that ARA wishes the Agreement to be extended, in view of the important place which it occupies in the field of Inter-American cooperation, but that it would not oppose having it modified, especially if such modifications were suggested by the coffee producing countries. The economic divisions of the Department, however, are averse to agreeing, at the present time, to continue the Agreement without amendments.

A subcommittee appointed by the Board and consisting of the Colombian, Brazilian and Guatemalan delegates has recommended, on its own volition, a procedure which would appear to afford a way out of the aforementioned difficulties provided it is legally permissible under the terms of Article XXIV of the Agreement. Under

[33] Not printed.

[34] Article XXIV provided that one year prior to the effective date of a renewal date of the agreement the Board should make recommendations to the participating governments as to the continuation of the Board under the same or amended agreement.

the proposal the Board, prior to October 1, 1944, would make a recommendation to the participating governments that the Agreement be continued beyond October 1, 1945, subject to amendments, to be suggested later by the participating governments; the governments, within a time limit to be agreed upon by the Board and specified in the recommendation, would express their approval of this procedure and would propose any changes which they wished to suggest; the Board then, within a time limit also to be set in the recommendation, would negotiate such differences as might exist between the views of the various participating countries, and would then recommend a revised agreement to the participating countries for their approval or disapproval. Agreement by members of the Board in the first instance to the recommendation for continuation of the Agreement in principle would not bind the governments to accept the amendments which might be proposed by the other governments or to accept the final revised agreement which would later be proposed by the Board. Provided all the participating governments accept the revised agreement, the Board would draw up a declaration certifying the terms of the recommendations made to the participating governments in the revised agreement and their acceptance by all the participating governments, as provided in the fourth paragraph of Article XXIV, and the Agreement would be deemed to be amended in accordance with the declaration as from the date specified therein.

In view of the fact that this matter is scheduled to be considered at the ECA staff meeting on Monday afternoon, August 28, and by the Inter-American Coffee Board in a meeting on August 31, I should greatly appreciate being informed as soon as possible: (1) whether ARA would be agreeable to having the United States delegate agree to the proposal of the Board's subcommittee and (2) whether, in Le's [35] opinion, the proposed procedure would be in accordance with Article XXIV of the Inter-American Coffee Agreement.

From conversations I had with Mr. Wright, ARA, before he left on his vacation, it is my opinion that ARA would approve the suggested procedure. Before proceeding further, however, I wish to be assured of this fact, as well as of the legality of the procedure.

. . . . . .

EDWARD G. CALE

561.333D3/8–3144

Minutes of the Inter-American Coffee Board

[Extract]

Meeting No. 71 [WASHINGTON,] August 31, 1944.

The Inter-American Coffee Board met at its office at 2400 Sixteenth Street at 10:30 a. m., August 31 and discussed the following matters:

[35] Office of the Legal Adviser.

1. *Continuation of the Inter-American Coffee Agreement.*

The Chairman informed the Board that, in accordance with its request, he had discussed with legal authorities of the State Department the question of procedures that might be followed in continuing the Inter-American Coffee Agreement and that they were of the view that it would be permissible under Article XXIV of the Agreement for the Board to recommend that the Agreement be continued subject to amendments to be agreed upon later.

After considerable discussion, it was agreed by the Board that the Board should recommend continuation of the Agreement subject to amendments, if any, which might be approved by the Board and the participating governments.

. . . . . .

EDWARD G. CALE

561.333D8/8–3144

Statement Presented by the Price Committee of the Inter-American Coffee Board to the Office of Price Administration[36]

The Inter-American Coffee Board, at its last meeting unanimously designated a committee of six of its members, the delegates of Brasil, Colombia, Guatemala, Peru, the Dominican Republic and Venezuela to meet with you, gentlemen of the OPA, to discuss current coffee problems which at the present time seem to consist simply of the price situation. My colleagues directed me to express to you the viewpoints of the Board, that is of the fourteen coffee producing countries of Latin America. We all appreciate your courtesies and your valuable cooperation of which there have been so many proofs in the past.

As you well know, ceiling prices on coffee were fixed by the OPA in December of 1941. The Board was consulted and although your final schedule was not entirely satisfactory as a whole, the producing countries found it acceptable at that time as a workable and sound basis for trading, as a cooperative measure in face of the conditions which prevailed at the beginning of the war. The Board expected that there would be a continuation of a satisfactory volume of coffee trading, and the history of coffee business during the last three years has proven beyond doubt that the expectations had solid foundations. Our cooperation has been more than satisfactory to all concerned in the coffee industry of the United States and also to the American consumers.

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[36] Presented to the Office of Price Administration on October 11, 1944, and filed as an attachment to the minutes of the seventy-third meeting of the Inter-American Coffee Board, October 12, 1944.

But three years is a long period of time and the economic life and activities of the producing countries, organisms that are very much alive, followed the logical process of development. It is utterly impossible to freeze entire countries and their populations. Many changes have occurred and what was considered sound and relatively satisfactory in December of 1941, is unsatisfactory and unbalanced today. Our incomes from the sale of coffee (a most important item) were frozen and thus remained stationary while our expenses, the costs of practically everything the producers have to buy, must buy, increased gradually and in the aggregate greatly, reaching considerably higher levels. Wages, for instance, have increased due to shifting of workers to production essential to the war effort, in some countries and also owing to many obvious circumstances. Moreover, there has developed, in accordance with policies expressed at important international meetings and sponsored by the United States, a trend to lessen the terrible burden of the laborers in coffee plantations, through increases in wages.

Similar problems have been confronted in this country and we have noted with considerable interest and admiration the measures taken to solve the farm situation in the United States. In the matter of ceiling prices, the solutions have been flexible, elastic, adapted to changing conditions. This has protected and increased production and today—I am referring to what has appeared in the press—new records in the volume of production of agricultural production have been set.

Fortunately, the coffee producing countries have managed to survive through drastically changing conditions and therefore, in spite of difficulties, we have fulfilled our obligations and have gladly cooperated in supplying an all-time record volume of coffee to the United States market.

However, we feel that the present coffee price situation is extremely serious, and that unless immediate action is taken, a collapse in coffee production in Latin America is to be feared, with the corresponding damaging effects both to the trade and to the consumers in this country. Producers find it physically impossible to maintain their plantations, pick the coffee and sell it at the present ceiling prices. There is nothing the Governments can do to compel producers to grow or to sell at a loss. They have been selling their coffee at the 1941 levels, and everything they have to buy they must pay at the 1944 levels. Production in most of the countries has declined, and new industries, agricultural or otherwise, are naturally offering more remunerative opportunities to the workers. The countries are growing, are developing, and coffee must follow the trend, or perish. This is inevitable. May I add that the dollar and foreign exchange balances existing in several of the producing countries are not due to high or

even satisfactory coffee prices, but simply to the hard fact that the peoples are forced to go without replacement parts for their equipment, without many essentials for their life and businesses, without tools, without efficient transportation. As soon as they can import again in any fair scale, those funds will be sharply and quickly reduced. Furthermore, perhaps it is relevant to say that most of that money will come back to the United States in payment for manufactured goods. The same holds true regarding any increases in coffee ceilings now.

This is not the time, perhaps, to discuss the fairness 1941 ceilings. We found them acceptable and workable, but their level not only was not in excess of previous averages covering different periods, but it actually was below them. In any event, our idea is to discuss present realities and facts.

You know that neither the Inter-American Coffee Board as such, nor the coffee producing countries have brought this question officially before your attention before. The very pressure of things has been felt for many months, but although we very well knew that the "living margin" of the coffee growers was gradually becoming thinner and thinner, we felt that under the circumstances we should wait while trading still was active, before taking any official steps. But we have come to a point where we must act. Therefore, and in conformity with statements from the OPA at different times, I am directed to invite you, formally and officially, to open the discussion, at the earliest possible moment, of a revision of maximum price regulations on coffee. We would not live up to our record of cooperation with the trade and the consumers of the United States, if we abstained from stating our case before you. We have no prejudices, we do not want to force the issue in any way. We are ready and willing to discuss the matter and accept a reasonable and practical solution.

811.5017/11–1844 : Circular telegram

The Acting Secretary of State to Certain Diplomatic Representatives in the American Republics [37]

WASHINGTON, November 18, 1944—6 p. m.

The decision announced by the OPA [38] and WFA [39] on November 15 to deny the petition of the Inter-American Coffee Board to the OPA for an increase in the coffee ceiling price was reached after Byrnes [40] met with Vinson,[41] Marvin Jones,[42] Bowles,[43] other officials

[37] Sent to Brazil, Colombia, Costa Rica, Ecuador, El Salvador, Honduras, Nicaragua, Peru, and Venezuela.
[38] Office of Price Administration.
[39] War Food Administration.
[40] James F. Byrnes, Director of War Mobilization.
[41] Fred M. Vinson, Director, Office of Economic Stabilization.
[42] Administrator of the War Food Administration.
[43] Chester Bowles, Administrator, Office of Price Administration.

of WFA and OPA and two officers of the Department. The decision was based very largely on domestic factors, such as the necessity for holding the price line, for holding down the cost of living and maintaining wages at their present levels in conformity with the Little Steel formula.

The Inter-American Coffee Board which met November 16 took the decision very hard and issued a press release stating their surprise at the decision and adding the following sentence "The Board is considering at this time a reply to the Office of Price Administration and will continue to take whatever steps are necessary to maintain the flow of coffee to the United States market while this matter is pending". It is highly improbable that any relief action will be taken by the OPA.

STETTINIUS

561.333D8/12–1844

Memorandum by the Chairman of the Inter-American Coffee Board (Cale)[44]

[WASHINGTON,] December 18, 1944.

The Inter-American Coffee Board meets at 10:30 a. m., December 19th. A meeting has been arranged between representatives of the Board and Judge Vinson at 2:00 p. m. on the same day at which the present coffee supply situation will be discussed. I have indicated to the members of the Board that a second meeting of the Board may be called on December 19th following the meeting with Judge Vinson.

I believe that all of us in the Department are agreed that the quotas under the Inter-American Coffee Board should be increased as soon as it becomes apparent that rationing is about to be resumed. I am not sure that there is a definite understanding as to just when such action may be necessary. For that reason and because of the importance of the matter to our relations with the other American republics, I should like to have very specific instructions as to the attitude that I should take regarding the question of a quota increase while meeting with the Board on December 19th. The following is my recommendation:

1. That I request the Board to postpone the question of quotas until after the meeting with Judge Vinson at 2:00 p. m. (the item "quotas" is on the agenda of the meeting of December 19th, but members of the Board have been advised that there will probably be an afternoon session).

2. That I definitely arrange during the Board's meeting on the morning of December 19th for an afternoon meeting following the discussion with Judge Vinson.

[44] Addressed to the Chief (Stinebower) and the Assistant Chief (Haley) of the Division of Economic Studies, the Acting Deputy Director of the Office of American Republic Affairs (McGurk), and the Assistant Secretary of State (Acheson).

3. That I vote for an increase in the quotas during this afternoon session which will make the quotas virtually ineffective, should it be apparent that representatives of the producing countries are unwilling after the meeting with Judge Vinson to acquiesce in the decision that there is to be no increase in coffee ceiling prices.

4. That I vote for such an increase during the morning meeting, should delegates of the producing countries ask again for a postponement of the meeting with Judge Vinson or for its cancellation.

In the event that Judge Vinson should inform the delegates that there is to be no increase in coffee ceiling prices and if representatives of the producing countries are unwilling to accept that decision, it is my opinion that refusal to increase the quotas would mean failure on our part to support Judge Vinson's decision. Such failure would, in fact, mean that we were, to some extent, protecting the producing countries in their continued opposition to the stand taken by Judge Vinson.

It is my understanding that Judge Vinson expects to reinstitute coffee rationing around January 1st, unless there is an improvement in the volume of coffee sales. Failure of the representatives of the coffee producing countries to accept the Judge's decision will, in my opinion, mean that there is little likelihood of sales increasing prior to January 1st, and I believe that the afternoon of December 19th is not too early to authorize a quota increase, if rationing is being resumed on January 1st. This is, in fact, the last date on which the Board is likely to meet until after the beginning of the new year.

Please let me have your views as soon as possible.[45]

EDWARD G. CALE

811.5017/12–2144 : Circular telegram

The Secretary of State to Certain Diplomatic Representatives in the American Republics[46]

WASHINGTON, December 21, 1944—10 p. m.

A committee of the Inter-American Coffee Board met on December 19 with Director of Economic Stabilization Vinson, Price Administrator Bowles, Assistant Secretary of State Acheson, and several assistants of Vinson and Bowles to talk over and clarify the coffee price situation. Vinson reiterated the position of this Government, already established in the Byrnes' meeting of November 14, to the effect that there is to be no increase in coffee price ceilings (reDepts circular telegram November 18). He pointed out that it was his job to guard against inflation and that any failure on his part in this

[45] The Department officers to whom this recommendation was addressed indicated their agreement in the margin.

[46] Sent to Brazil, Colombia, Costa Rica, Ecuador, El Salvador, Honduras, Nicaragua, Peru, and Venezuela.

connection would have disastrous results not only here but throughout the Western Hemisphere. He also made it clear that an import subsidy for coffee is impossible.

Acheson pointed out that Vinson determines the policy on price matters and that the Department abides by his decision. It is hoped that this statement will help forestall diplomatic representations through the Department regarding coffee prices. It is also hoped that the meeting will result in a resumption of a satisfactory volume of sales.

Vinson is determined not to increase coffee price ceilings at the present time regardless of the effect on supplies.

You are authorized to bring the foregoing to the attention of government officials and members of the coffee trade.

STETTINIUS

561.333D3/12–2344

Memorandum by the Chairman of the Inter-American Coffee Board (Cale) [47]

[WASHINGTON,] December 23, 1944.

In my memorandum of December 18, of which a copy is attached,[48] I requested authorization to vote for an increase in the quotas under the Inter-American Coffee Agreement during a meeting of the Inter-American Coffee Board on the afternoon of December 19, should it be apparent that representatives of the coffee producing countries were unwilling, after the meeting with Judge Vinson earlier in the day, to acquiesce in his decision that there is to be no increase in coffee ceiling prices.

Actually, I did not vote for a quota increase during the meeting for the following reasons:

1. It was not apparent that representatives of the coffee producing countries would not acquiesce in Judge Vinson's decision.
2. I felt, as a result of developments during the meeting, that recommending a quota increase, immediately after the meeting in Judge Vinson's office, might incite the Board to make a public statement continuing the uncertainty that has prevailed during recent weeks regarding the coffee price situation (it appeared to me to be more important to prevent the Board from making an undesirable statement at that time than to increase the quotas since an increase in the quotas is likely to have little immediate effect in making a larger supply of coffee available to this country).
3. The Brazilian delegate did not attend the meeting and as the delegate of Ecuador was also away, we did not technically have a

[47] Addressed to the Chief (Stinebower) and the Assistant Chief (Haley) of the Division of Economic Studies, the Assistant Director, Office of American Republic Affairs (Wright), and to the Assistant Secretary of State (Clayton).

[48] *Ante*, p. 165.

quorum, although the Brazilian delegate authorized the delegate of El Salvador by telephone to represent the Brazilian delegate during the meeting (the Coffee Agreement provides that authorization for such representation should be in writing).

4. The possibility that an increase in the quotas might be used as an excuse by Brazil for refusing to ship further coffee to this country under the Memorandum of Understanding, which expires on January 1.[49]

5. The desire on my part to obtain as much support as possible from the producing countries before recommending a quota increase (the delegate of Colombia had advised me prior to the meeting that he was under instructions to oppose a quota increase. I hope that his Government may revise its instructions as a result of the meeting in Judge Vinson's office).

I have been informed since the meeting that coffee rationing may be reinstituted on January 1. I understand that controls on a number of commodities will be considerably tightened up on December 27 and that it is feared that this action will cause the public to buy coffee in larger quantities and thus make prompt resumption of coffee rationing necessary. I believe, therefore, that we should attempt to increase the quotas before that date and that a special meeting of the Board should be called for this purpose. I have already issued the call for the meeting in view of the fact that the Inter-American Coffee Agreement requires that notice of all special meetings shall be communicated to the delegates not less than three days before the date fixed for the meeting and because some of the delegates live in New York City and need to be informed as far in advance of the meeting as possible in order to have a better opportunity to make travel arrangements. Please inform me immediately if you do not concur in my opinion as to the action that should be taken at the meeting.

EDWARD G. CALE

811.5017/12–2644 : Telegram

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

RIO DE JANEIRO, December 26, 1944—8 p. m.
[Received 11:28 p. m.]

4534. Department's circular December 21, 10 p. m. In commenting to me today on the decision not to increase coffee price ceilings in the United States, Souza Costa said, "I am faced with a very difficult situation in Brazil and I must do something at once to protect the coffee interests". He expressed the opinion that for political and economic reasons it would be necessary for the government to finance coffee in Brazil which he said might have the effect of withholding coffee from the market for an indefinite period of time and added,

[49] For the substance of this memorandum, see telegram 2048, July 3, 10 p. m., to Rio de Janeiro, p. 155.

"I realize that this would ultimately result in rationing in the United States". Souza Costa is greatly concerned over the political aspects of the coffee situation as well as the financial position of the banks that have been financing coffee especially those in the state of São Paulo. He expressed regret that our Government had not agreed to an increase of from 2 to 3 cents per pound and added "I am sorry that I did not spend more time in the United States to discuss this matter with the authorities of your Government. I felt at that time that upon completing the memorandum of understanding the interested government agencies in Washington would not oppose Brazil's application for an increase in coffee price ceilings before the end of this year." Souza Costa then indicated that it might be advisable for him to visit Washington now with a view to negotiating an increase in prices. I discouraged him from doing so and again reminded him of the decision as reported in the Department's circular telegram under reference.

With respect to the DNC furnishing additional quantities of coffee to the trade for export to the United States within the coffee price ceilings Souza Costa said that with the sale of the 4 million bags the stocks of the DNC will be reduced to small quantities of inferior types and that disposal of any part of the bankers' stocks would require the prior approval of the bankers but indicated that something might be done about it.

Souza Costa is at a loss to understand the reasons that prompt Penteado to continue to send him optimistic telegrams over the prospects of obtaining an increase in price ceilings.

On my leaving Souza Costa again inquired as to the possibility of obtaining higher prices and I again reminded him of the terms of the telegram under reference. He said he would like to see me on Thursday [50] when the new president of the National Coffee Department [51] will take office.

DONNELLY

811.5017/12–2844 : Telegram

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

RIO DE JANEIRO, December 28, 1944—7 p. m.
[Received 9 :22 p. m.]

4551. Department's circular, December 21, 10 p. m.; my 4534, December 26, 8 p. m. Souza Costa said to me today "You must help me out of the coffee crisis". I told him again that our Government will not increase coffee price ceilings to which he remarked "Then I will probably go to Washington to discuss the matter with officials there".

DONNELLY

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[50] December 28.
[51] Ovidio de Abreu.

ATTITUDE OF THE UNITED STATES WITH RESPECT TO THE ESTABLISHMENT OF DIPLOMATIC RELATIONS BETWEEN THE AMERICAN REPUBLICS AND THE SOVIET UNION [1]

[On January 1, 1944, in reply to an informal inquiry received from the Bolivian Foreign Minister, the Adviser on Political Relations (Duggan) wrote to the Ambassador in Bolivia (Boal) as follows:

"We would welcome the establishment of diplomatic relations between two fellow members of the United Nations, but we believe the initiative should come from one of the two parties principally concerned, and not from this Government. If we were requested by one of the principals, however, we would be glad to extend our good offices." (724.61/2)

In a conversation on September 27, 1944, the Bolivian Chargé (Dorado) inquired of the Acting Director of the Office of American Republic Affairs (Armour) as to the attitude of the United States toward, and whether the United States might assist in, a Bolivian approach to the Soviet Union. Mr. Armour replied that the question of recognition of other states was purely a matter for their own decision and that if Bolivia desired to start discussions, contact might be made between the Soviet and Bolivian Ambassadors in some capital. (724.61/9–2744)

On April 1, 1943, the Adviser on Political Affairs (Duggan) while on a visit to Chile had a conversation with the Chilean President (Ríos). Mr. Duggan in his memorandum of the conversation stated:

"The President asked what the view of this Government was with regard to the renewal of relations with the Soviet Union. I told him that this Government had not taken any initiative with any of the other American republics to bring about the establishment of relations with the Soviet Union. On their own initiative several countries had approached this Government to ascertain its views. In every case the reply had been that the Soviet Union was now one of the United Nations fighting to destroy the Axis and that under these circumstances the establishment of relations with the Soviet Union might be a step that would assist the successful prosecution of the war. The decision, however, was for each country to make, and in making that decision each country would undoubtedly wish to bear in mind the desirability of protecting itself as far as possible against intervention in its internal affairs by persons or organizations connected or affiliated with the Soviet Union."

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[1] For correspondence on good offices to Uruguay in the renewing of diplomatic relations with the Soviet Union in 1942, see *Foreign Relations*, 1942, vol. v, pp. 262 ff.

The Chilean President told Mr. Duggan that for the time being he did not propose to establish relations with the Soviet Union. (825.00/1860)

In November 1944, however, the Under Secretary of State (Stettinius) indicated his willingness to inform the Soviet Ambassador (Gromyko) of the Chilean desire to recognize the Soviet Government and to inquire as to the desired means of making the contact. It was arranged that the Chilean Ambassador (Marcial Mora) should call on the Soviet Ambassador. This was done on November 27. (861.01/11–2144, 2244; 725.61/11–2744)

In August 1944, when the Ecuadoran Ambassador (Galo Plaza) told the Under Secretary that Ecuador was considering recognizing Soviet Russia and wished to know the attitude of the United States, the Department in a letter of August 30 thanked the Ambassador for the information and added: "As you know, the Government of the United States enjoys very cordial relations with the Government of the Union of Soviet Socialist Republics." The last sentence was added at the suggestion of the Ambassador. (722.61/8–1444)]

EFFORTS OF THE UNITED STATES TO IMPROVE RELATIONS BETWEEN THE DOMINICAN REPUBLIC AND HAITI [1]

839.415/92a : Telegram

The Secretary of State to the Ambassador in the Dominican Republic (Warren)

WASHINGTON, February 4, 1944—8 p. m.

51. For the Ambassador and not for discussion with local officials. The Department is of the opinion that at the time of the Dominican Centennial celebration [2] it would be salutary for Dominican Haitian relations if a monument were to be erected by the Haitian and Dominican Governments on the border symbolizing peace and friendship between the two nations.

In this connection the Department would like to know: What are the plans for Haitian participation in Centennial? What invitations to Haiti have been extended? What would be probable reaction of Trujillo [3] and Lescot [4] to the erection of such a monument? Would a meeting at the border be possible? Would Trujillo consider making a personal invitation to Lescot? Should the first gesture come from Trujillo or Lescot?

Please telegraph your views to the Department and to Port-au-Prince as to the feasibility of carrying out this proposal. It is important to keep in mind the desirability of any act which would improve relations between the two countries.

A similar message is going forward to Port-au-Prince.[5]

HULL

839.415/95 : Telegram

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

PORT-AU-PRINCE, February 7, 1944—4 p. m.
[Received 7:52 p. m.]

29. Your No. 34, February 4, 8 p. m. Present Haitian-Dominican tension in my opinion consists 90% of animosity between two Chiefs of

[1] Continued from *Foreign Relations*, 1943, vol. v, pp. 359–364.
[2] Scheduled to take place between February 23 and March 3, 1944, to commemorate the first centennial of the proclamation of the independence of the Dominican Republic.
[3] Rafael Leonidas Trujillo Molina, President of the Dominican Republic.
[4] Elie Lescot, President of Haiti.
[5] Telegram 34, February 4, 8 p. m., not printed.

State originating in jealousy and disappointment of Trujillo that Lescot has successfully obstructed his ambitions to dominate in this Island. I do not see that a memorial would satisfy Trujillo's frustration and if not it would merely represent useless expense with ample possibilities for further disagreements as to erection.

As the centenary is Dominican and Trujillo appears to be aggressor I consider that any initiative should come from him as a peace offering and gauge of future friendship.

I suppose that if the Department really pressed for its erection and his face could be saved Lescot would consent to memorial and meeting without, however, any illusions as to their value. Remember that last meeting between the two Presidents though reported cordial did not check deterioration in relations.

WHITE

839.415/94 : Telegram

The Ambassador in the Dominican Republic (Warren) to the Secretary of State

CIUDAD TRUJILLO, February 7, 1944—7 p. m.
[Received 11:46 p. m.]

72. Haitian Government was invited in same manner as other countries to participate in centenary celebration and had intended to send four delegates. As reported in Ambassador White's despatch 2535 of February 4, 1944,[6] delegation has been reduced to two as a result of the publication of Carlos Sanchez y Sanchez's volume on International Law, with its critical references to Zait [*Haiti*].[7] While Dominican Government has not yet been officially informed to this effect it has learned of it indirectly from a Haitian source.

No special Centennial events had been planned in connection with the Haitian representation. However, as a result of my previous conversations with Archbishop Piliti, who has sponsored the proposal to erect a monument on the frontier symbolic of amity and peace between Haiti and Dominican Republic, I have ascertained Trujillo acquiesces in this proposal and would be willing to invite Lescot to meet him at frontier for purposes of laying cornerstone. In my opinion the first gesture should come from Trujillo.

Refer Department's telegram 51, February 4.

Repeated to Port-au-Prince.

WARREN

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[6] Not printed.

[7] Carlos Sánchez y Sánchez, *Curso de Derecho International Público Americano* (Ciudad Trujillo, Editora Montalvo, 1943), vol. XXVI, pp. 111 ff. The objectionable section was transmitted to the Department from Port-au-Prince as enclosure to despatch 2535 of February 4 (not printed).

839.415/94 : Telegram

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

WASHINGTON, February 8, 1944—7 p. m.

37. The following telegram has been sent to AmEmbassy, Ciudad Trujillo:[9]

"You are authorized to second Pittini's [*Piliti's?*] initiative and to suggest to President Trujillo that he make the proposal mentioned in your 72 of February 7 and ask President Lescot to join with him in an act commemorating and proclaiming Dominican-Haitian peace and friendship. Please repeat to AmEmbassy, Port-au-Prince, any telegrams to the Dept on this subject".

If President Trujillo makes the proposal with President Lescot, it is desired that you find a suitable opportunity to express the Department's hope that President Lescot will accept it as a contribution to the improvement of Dominican-Haitian relations.

HULL

839.415/101 : Telegram

The Ambassador in the Dominican Republic (Warren) to the Secretary of State

CIUDAD TRUJILLO, February 9, 1944—2 p. m.
[Received 5 p. m.]

79. I called on Trujillo this morning and informed him orally of contents of Department's telegram 59.[10] His response was immediate and cordial. In the absence of former [Minister] Franco,[11] who having been recalled is now in this country, and in view of fact his successor [12] has not yet proceeded to his post, Trujillo called Haitian Minister [13] to Presidency this afternoon and handed him a letter addressed to President Lescot [14] inviting latter to meet him at frontier to discuss proposal of erecting peace monument in connection with Centennial program. He requested Chevallier to deliver letter personally and immediately to Lescot. Translation of letter follows in my next telegram.[15]

Repeat to Port-au-Prince.

WARREN

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[9] Sent as telegram 59 on the same date.
[10] See footnote 9, above.
[11] Tomás Hernández Franco, Dominican Minister to Haiti.
[12] Tulio Franco y Franco.
[13] André Chevallier, Haitian Minister in the Dominican Republic.
[14] Dated February 9; copy transmitted to the Department in despatch 1552, February 9, from Ciudad Trujillo (neither printed).
[15] Telegram 81, February 9, 7 p. m., not printed.

839.415/108 : Telegram

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

PORT-AU-PRINCE, February 10, 1944—3 p. m.
[Received 7 p. m.]

31. Original of Trujillo invitation received. President Lescot warns that the projected meeting will have no effect upon the future course of Trujillo's conduct. Solely to please American Government, he will accept invitation.

1. Please ascertain whether Trujillo is agreeable to publication of his invitation. For your private information. Way of breaking news to Haiti [apparent omission] probably resentful.

2. President Lescot would like to have as witnesses at meeting you and myself.

3. President Lescot considers the meeting should be on the boundary. Private note. Having in mind new road I suggested Malpasse–Jimaní frontier.

The preceding telegram was sent to Ciudad Trujillo.

WHITE

839.415/146a : Telegram

The Acting Secretary of State to the Ambassador in Haiti (White)

WASHINGTON, February 10, 1944—8 p. m.

42. As President Trujillo has taken the initiative, suggested in your 29 of February 7, (according to Ambassador Warren's 81 of February 9 [16]) you are requested to use your good offices to have President Lescot accept and participate in the border meeting.

STETTINIUS

839.415/126

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

No. 2562 PORT-AU-PRINCE, February 11, 1944.
[Received February 15.]

SIR: I have the honor to refer to the telegraphic instruction No. 34 [*42*] of February 11th [*10th*], 8:00 a. m. [*p. m.*], in which the Department directs me to use my good offices to secure the acceptance by President Lescot of a proposal for a frontier meeting with the Dominican President.

Until about 1:00 o'clock this afternoon it seemed to me, in view of the information transmitted in my telegram of February 10, 3:00 p. m., to Ciudad Trujillo and repeated to the Department, that no reply to the same would be necessary.

[16] Not printed.

At the hour mentioned, however, a presidential aide-de-camp called to deliver an urgent note, of which copy and translation are enclosed.[19]

Upon receipt of this I telegraphed to Ciudad Trujillo as per the copy sent to the Department: [20]

"Urgent eleventh please take no action on yesterday's (i.e. February 10, 3:00 p. m.) telegram and cancel any action taken".

Having been apprised by Ambassador Warren of the forwarding of the invitation to a frontier meeting from President Trujillo to President Lescot, of which he also sent me a translation of the text, I thought it would be well to visit President Lescot and endeavor to supply such bracing thoughts as might be required to secure his acceptance.

When he received me the President had recently received the message of invitation and had read it. He seemed troubled and as though lacking in his usual power of thought or will.

He intimated that his principal concern was how to break the news of the meeting to the Haitian public, as he felt that the repercussion would be unfortunate, in view of the unfavorable Dominican publicity towards Haiti, the most recent instance of which was described in my despatch No. 2535 of February 4, 1944.[19] I replied that I thought the simplest way would be just to publish the letter. This the President agreed to and requested that I ask Ambassador Warren to obtain permission for this from Trujillo.

He warned me of the utter futility of the whole meeting. President Trujillo, he said, might speak fair words, but would afterwards do precisely what he pleased, which would probably mean that he would continue his previous line of conduct towards Haiti. I suggested to the President that he might make a memorandum of the conversation and send it to Trujillo for confirmation and subsequent publication. The President evidently thought nothing at all of this notion. I then suggested that, the idea had only occurred to me that very minute, he possibly might like to have Mr. Warren and myself present at the meeting. This appealed to him more; he definitely thought it would be useful. I myself thought it would be useful too, because it was my hope that, as long as a meeting was to be held, some favorable agreement might be made to close any organ of publicity which indulged in utterances irritating to the neighboring country; and that Mr. Warren and myself being witnesses to such an agreement would serve to strengthen it.

President Lescot asked me where the meeting would take place and he said it must be on the frontier; he would not go into Dominican territory. The frontier at Malpasse–Jimaní is the nearest such point

[19] Not printed.
[20] Telegram 35, February 11.

on a decent road from Port-au-Prince. I, therefore, suggested that place, which, moreover, in my own mind would have the advantage of compelling President Trujillo to drive over the Dominican portion of the new road on which hardly any work has been done and this, in turn, might conceivably lead to the finishing of that useful artery of traffic.

Before leaving I spoke to President Lescot in the following sense:— "It is my understanding that you authorize me to telegraph Ambassador Warren to ascertain whether President Trujillo would agree to have his letter given to the public; also, that I am to communicate the request that Ambassador Warren and myself should attend the meeting." The President said, "Yes",—that he did so authorize me.

With this I supposed that the matter had been settled and I proceeded to send the telegrams of February 10, 3:00 p. m., to the Embassy in Trujillo and repeated to the Department.

In the evening I mentioned the matter to an American of long standing here and he seemed very positive that, if President Lescot accepted such an invitation, in view of recent publicity, he would hurt himself with his own people.

Nothing more occurred until the receipt of the letter attached hereto in copy and translation. This reveals that the President had felt called upon to broach the matter to his Cabinet. I rather think that he told me that he would take that action, but I supposed that the Cabinet meeting would limit its discussion to the text of the reply to Trujillo. I am not disposed to take President Lescot's plea of a threatened Cabinet crisis seriously. It is not usual for Haitian Cabinet Ministers to resign on questions of principle: indeed it is not usual for them to resign at all except under orders. M. Lacroix[21] every so often threatens this action, when dissatisfied, but it no longer occurs to anyone that he seriously intends to implement his words. I am quite willing to believe that the Cabinet did not like the idea of Lescot's meeting Trujillo, and particularly would this probably apply to Gérard Lescot:[22] and I can, therefore, imagine threats of resignation made in the comfortable conviction that these would confirm a wavering president in the course of his own predilection and thus strengthen the tenure of the incumbent who threatened to resign. The fear of foul play, expressed in the enclosure,[23] also fails to inspire me with the appropriate detective novel thrill.

Apart from these considerations, which perhaps may be unduly severe, the position of President Lescot, that he should not be swallow-

[21] Abel Lacroix, Secretary of State for Finance, Commerce and National Economy.

[22] Secretary of State for Foreign Affairs and Cults; son of President Lescot.

[23] Letter of February 11 from President Lescot to Ambassador White, not printed. In this letter, President Lescot mentioned a possible accident to his person at the proposed border meeting.

ing insults one moment and dashing off the next for a palaver with the ultimate author of those insults, seems to me to be sound and dignified. It is possible, even, that Trujillo realized this and hoped to weaken Lescot's domestic prestige—his presumable objective—by making such a proposal.

The project outlined in the Department's No. 34 of February 4, 8:00 p. m.,[24] to erect a frontier monument, has as a possible precedent the erection of the Christ of the Andes on the Argentine-Chilean frontier in the Uspallata Pass west of Mendoza. It is my impression, however, that this Monument was erected after prolonged negotiations had smoothed out the vexatious problems that had seriously threatened Argentine-Chilean relations. Between Haiti and Santo Domingo the case is different. The fundamental problem is the pressure of a dense Haitian population against a sparser Dominican, which resents that pressure, but nevertheless needs Haitian labor, especially for harvesting its sugar. There have been no patient negotiations to solve this problem, but rather the application of a series of irritants, some of them very recent. To make matters worse, there is acute enmity between the two Chiefs of State. Now in temperate climates when two people are quarrelling, if they can be made to sit around a table and talk quietly, very often this leads to a reconciliation. Haitian-Dominican natures are, however, very much more sensitive to hard words than are ours. They lack the frankness which would facilitate such a reconciliation, and very often also the sustained resolve to carry out its conditions. Both Trujillo and Lescot are skillful at sidestepping disagreeable situations. They are both thoroughly familiar with each other's past and this familiarity appears to have engendered profound suspicion and dislike. Trujillo is the stronger man, both in the ruthlessness of his ability and in the far firmer hold which he has upon his richer country. To try to bring Lescot to confer confidentially with Trujillo, is as welcome to the former as it would be to a rabbit to meet a boa constrictor at close quarters. I had hoped that the presence at this meeting of the two American representatives might serve to keep the conversations on useful lines and bolster up Lescot's weaker position, but his aversion to the idea seems to be not only mental but even physical.

If Trujillo wishes to avoid provocation, it is not wholly excluded that such a meeting might be accomplished at a later date.

President Lescot's tergiversations in the matter of acceptance or refusal are awkward and unfortunate and will do him no good either with Washington or against Trujillo. But it is well to realize his limitations.

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[24] Not printed.

For the time being I am doing nothing further in the matter other than to acknowledge the President's note. If the Department wishes me to take any additional action, it will no doubt be so good as to issue the necessary instructions.

Respectfully yours, J. C. WHITE

839.415/131 : Telegram

The Ambassador in the Dominican Republic (Warren) to the Secretary of State

CIUDAD TRUJILLO, February 14, 1944—7 p. m.
[Received February 15—2:53 p. m.]

91. Secretary of State for Presidency [25] called me this morning to say Trujillo had instructed him and Foreign Minister [26] to consult with me on Lescot's refusal to accept invitation for a meeting [27] delivered personally by Haitian Minister. Trujillo is out of town. When I called immediately at Presidency and had read original of Lescot's letter the two secretaries inquired what in my opinion was next step to be taken. I suggested that as notice of the refusal had already been communicated by White to Department several days would elapse before an indication of Department's further attitude so I advised complete reserve and if no indication were received prior to opening ceremonies of the Centennial on February 22 that the reserve might well continue until after the celebrations were over. Secretary for Presidency said he would be glad to communicate this opinion to which he subscribed to Trujillo. Foreign Minister on other hand said he believed Trujillo should publish a "White paper" immediately including original letter of November 1 to Lescot,[28] the invitation for a meeting extended last week, and Lescot's reply received today. I advised strongly against such action on grounds it could do no possible good and would be a disadvantage to Dominicans by embarrassing the delegates to Centennial with a critical situation between the two countries. If it should be decided to publish the correspondence, I requested I be given sufficient advance notice to inform Department of this intention. It was agreed that Trujillo would be advised along these lines. A free translation of the French text of Lescot's letter follows.[29] Please instruct.

Repeated to Port-au-Prince.

WARREN

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[25] R. Paíno Pichardo.
[26] M. A. Peña Batlle.
[27] Letter to President Trujillo, dated February 12, 1944; copy transmitted to the Department in despatch 1563, February 15, from Ciudad Trujillo (neither printed).
[28] Translation of letter from President Trujillo transmitted to the Department in a letter of December 1, 1943, from Ambassador Warren to Willard Barber, Assistant Chief, Division of Financial and Monetary Affairs (neither printed).
[29] Sent to the Department in telegram 92, February 14, 1944, not printed.

839.415/141b : Telegram

The Acting Secretary of State to the Ambassador in Haiti (White)[31]

WASHINGTON, February 14, 1944—8 p. m.

48. The President desires you to stress to Lescot his personal interest in the border meeting with Trujillo. The President considers it essential that this meeting take place during the Dominican Centennial festivities.

STETTINIUS

839.415/168

Memorandum by the Deputy Director of the Office of American Republic Affairs (Bonsal)[32]

[WASHINGTON,] February 15, 1944.

On February 14 Mr. Charles Taussig had a conversation with President Roosevelt, following which Mr. Taussig called on me and conveyed certain instructions from the President as follows:

(1) That President Lescot of Haiti be informed that it is President Roosevelt's own wish that the proposed border meeting between Lescot and Trujillo take place during the Dominican Centennial celebrations (it will be recalled that Lescot's answer on this has been delayed). A telegram conveying the President's message was dispatched on February 14.[33]

(2) That President Roosevelt, while confiding in the good intentions of both Presidents, will hold their Governments jointly responsible for any breach of the peace between the two countries sharing the island, that he will not try to determine who was the aggressor and that in the event of trouble he is disposed to "quarantine" both countries. The President apparently intends to convey this message to Lescot and Trujillo via Mr. Taussig. Telegrams giving advance confidential information on this to Ambassadors White and Warren are attached.[34]

(3) That President Roosevelt desires that the border meeting of the two Presidents be given major emphasis in connection with the Dominican Centennial celebration. In consequence Mr. Taussig is to delay his departure so as to arrive especially for the border meeting at which time he will convey to the two Presidents a message along the lines described in (2) above. The President, while fully aware of the background of the Trujillo-Lescot relationship, is delighted with the tone of Trujillo's invitation to Lescot for the border meeting.

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[31] This telegram was sent at the request of Charles Taussig following his interview the same day with President Roosevelt. Mr. Taussig was chairman of the United States Section, Anglo-American Caribbean Commission, and chairman designate of the United States delegation to the Dominican Centennial.

[32] Addressed to the Under Secretary of State (Stettinius) and to the Director, Office of American Republic Affairs (Duggan).

[33] *Supra.*

[34] Telegram 72, February 14, 1944, 8 p. m., quoted for Ambassador Warren the contents of telegram 48, *supra.*

(4) The President has authorized Mr. Taussig to tell Trujillo that if he (Trujillo) comes to the United States he will be entertained at the White House in the same way as Lescot and other Presidents. Mr. Taussig tells me that, on the basis of a recent conversation with the Secretary, he felt justified in telling the President that the Department would not object to Trujillo's visiting the White House. A telegram transmitting this information to Ambassador Warren for his confidential information only is attached.[35]

(5) That Trujillo be told there is an agreement among the United Nations eschewing formal garb for the duration and therefore asking Trujillo on behalf of President Roosevelt to change his plans for the Centennial to the extent of eliminating morning coats and white ties. A telegram conveying this message is attached.[36]

With all due respect for Mr. Taussig, it is my view that before the President's instructions as set forth in numbered paragraphs 2, 3, 4 and 5 above are carried out, the President should have the benefit of the Department's views on these topics conveyed by the Acting Secretary. Those views might be expressed as follows:

(*a*) Although both Haiti and the Dominican Republic are at fault in the present situation, it is the Department's view that Trujillo has been consistently more aggressive. This view was recently conveyed to Trujillo. For this Government now to take the extreme stand that, in the event of trouble, both countries would be "quarantined" would seem neither fair, nor consistent, nor perhaps compatible with the inter-American system if it is meant to call for unilateral action on our part. Therefore, the President should at present in connection with the border meeting merely reiterate his confidence that the two Governments will keep the peace and adhere to their inter-American commitments for the peaceable settlement of difficulties.

(*b*) That Mr. Taussig should proceed as originally planned in order to represent this Government throughout the Centennial celebrations; any other course, and particularly that proposed of having him delay his arrival until the border meeting, would be a gratuitous affront to the Dominican Government and people whose celebration this is.

(*c*) That for Trujillo to be entertained officially at the White House would offend democratic public opinion here and in the other American Republics and would encourage throughout the Hemisphere trends toward murder, dictatorship and personal profit as methods and symbols of Government. The Department has heretofore not urged upon the President the reception of any President not reasonably decent in his methods and outlook—at least at the time of his visit here! The Acting Secretary may wish to consult the Secretary by telephone on this point. I do not believe there is any record available in the Department of the Secretary's conversation with Mr. Taussig on this subject, referred to in numbered paragraph (4) above.

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[35] Telegram not sent.

[36] Telegram 73, February 15, 1944, 7 p.m. (not printed). President Trujillo acceded to this request (839.415/141).

(*d*) That for the President, at this late date, to convey a message to Trujillo regarding what should be worn at the Centennial festivities would put Trujillo in an unnecessarily embarrassing position before his own people.

This is a matter of the very greatest urgency.[37]

PHILIP W. BONSAL

839.415/134 : Telegram

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

PORT-AU-PRINCE, February 15, 1944—5 p. m.
[Received 8:30 p. m.]

40. President Lescot informed re content your telegram February 14, 8 p. m., No. 48, and Ambassador Warren's February 14, 7 p. m. He decided to compose forthwith a letter to President Roosevelt. I urged that this should be specific as to what he could do towards effecting the desired meeting (i. e. not a mere recital of grievances).

With caution against false hopes prior to sending of this missive, President Lescot opined off hand that meetings could be justified before Haitian public opinion: (1) in unlikely case that Trujillo should make some apology previously for Sanchez' writings; (2) if Haitian public were informed of President Roosevelt's personal wish that meeting take place. Possibly also his assertion that Trujillo was trying to blackmail him (reference being to former's letter to latter of November 1) into permitting Haitian labor to cross boundary for cutting Dominican sugar is germane to solution.

WHITE

839.415/146 : Telegram

The Ambassador in the Dominican Republic (Warren) to the Secretary of State

CIUDAD TRUJILLO, February 17, 1944—11 a. m.
[Received 3:30 p. m.]

101. President Trujillo has informed me that he has drafted a reply to President Lescot's letter of February 12 and he wanted me to see it first. I suggested that he might care to withhold any letter for the time being in view of the possibility that President Lescot may reconsider his position. He said he wished the Department to be informed he still considered invitation open notwithstanding President Lescot's letter and he is prepared to meet the latter any day during the Centennial celebration with the exception of February 22 when Andrews

[37] Mr. Stettinius initialed this memorandum with the following comment: "I most emphatically share Mr. Bonsal's views. If you [Duggan] hold contrary opinions, Mr. Bonsal and I would appreciate opportunity of speaking with you."

Field will be dedicated and February 27 when the schedule of events requiring his presence is so heavy as to preclude his leaving the capital. In this connection please refer to my telegram number 91 of February 14, 7 p. m. and Ambassador White's telegram of February 16, 3 p. m.[38]

Repeated to Port-au-Prince.

WARREN

839.415/132 : Telegram

The Acting Secretary of State to the Ambassador in Haiti (White)

WASHINGTON, February 17, 1944—8 p. m.

50. Particularly in view of the President's personal interest in the success of the proposal for the erection of a Peace Monument on the Haitian-Dominican border, I am disappointed that President Lescot should have seen fit to answer President Trujillo's invitation in a reply evidently couched in the terms quoted in Ciudad Trujillo's no. 92 of February 14.[39] I am seriously concerned lest this cause a further deterioration in Haitian-Dominican relations. Moreover, whatever may have been the background for Lescot's reply, it seems evident that if the exchange were published, public opinion in this hemisphere outside of Haiti, would inevitably be adversely impressed by it.

You are requested to convey the above thoughts to President Lescot. You should also, unless you perceive objection, express your confidence that the Haitian Government will deal with individual controversies which may arise with the Dominican Republic in the same conciliatory and forbearing spirit that it has generally shown in the past. At a moment when the military operations of the United Nations are approaching their climax, it is vital for them to refrain from disputes between themselves which would mar their harmony and encourage the common enemy. I am convinced that Haiti, in view of its splendid record of collaboration in the joint war effort will appreciate the truth of this and will refrain from any further act which might detract from the single purpose of defeating the Axis at the earliest possible moment.

In view of President Lescot's attitude, as reported in your telephone conversation with Duggan, it appears necessary to abandon the project to dedicate a monument on the Haitian-Dominican frontier.

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[38] Latter not found in Department files. Ambassador Warren may be referring to Ambassador White's telegram 40, February 15, 5 p. m., *supra*.

[39] Not printed.

The Department has instructed Ambassador Warren [40] to emphasize to President Trujillo the undesirability of publishing the exchange of correspondence regarding the border meeting.

STETTINIUS

839.415/155

President Roosevelt to the President of the Dominican Republic (Trujillo)

WASHINGTON, February 22, 1944.

MY DEAR PRESIDENT TRUJILLO: I have followed with great interest the plans which your Government is making to celebrate the Centenary of Dominican independence. The ceremonies which are planned by the Dominican people to commemorate this anniversary will be fraternally shared in spirit by the peoples of the other American republics. We shall rejoice with you on this auspicious occasion, which marks a century of freedom for the cradle of Western civilization in this hemisphere.

I have had the pleasure of naming three distinguished citizens of the United States to represent this country at the ceremonies: Ambassador Frank P. Corrigan,[41] Ambassador Avra M. Warren, and Major General William E. Shedd; and I have requested them to convey to you my cordial greetings and heartiest good wishes for the success of the Centenary celebrations. They will be particularly pleased to participate in the naming of the airport at Ciudad Trujillo, in memory of the late Lieutenant General Andrews,[42] whose loss grieved us all so deeply. The honor which you are doing him will serve as a perpetual reminder of the services which he rendered in the protection of a vital section of this hemisphere at a critical moment in its history.

The military threat to this hemisphere has happily diminished, and the combined might of the United Nations is pressing ever more heavily upon the Axis aggressors. The climax of our armed operations is approaching. In possible disunity among the United Nations the guilty Axis leaders see the only possible escape from the consequences of their crimes; and they have done everything possible to foment such disunity. They must not succeed.

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[40] Telegram 76, February 17, 1944, 7 p. m., not printed.

[41] Frank P. Corrigan, Ambassador in Venezuela, was designated chairman of the United States delegation to the Centennial in place of Charles Taussig. This action by President Roosevelt, communicated to Corrigan in an unnumbered instruction of February 19, 1944 (839.415/178a), followed Taussig's withdrawal from the delegation.

[42] Gen. Frank Maxwell Andrews, former Commanding General, Caribbean Defense Command, died May 3, 1943, while on duty as Commanding General of the United States Army in the European Theater of Operations.

It has consequently been with a feeling of regret that I have received reports from various sources in recent weeks intimating that relations between the Dominican Republic and Haiti are not characterized by the cordial understanding so essential to the functioning of our inter-American system, and so vital in these critical days. I refuse to believe that President Lescot and yourself, animated as you both are by the greatest good will, cannot compose whatever differences exist between your two countries in a direct and expeditious manner.

The Dominican Republic and Haiti are both bound by close ties of friendship with the United States, and both have distinguished themselves by whole-hearted collaboration in our common war effort. Having so many interests in common, it is clear that they can compose their differences in that spirit of mutual conciliation which is the essence of the happy relations existing between the American republics. The fact that we are all at war with a ruthless enemy, and the fact that we have all subscribed to a system of public law in the American Hemisphere which requires peaceful settlement of disputes, underline the duty which all of us must bear to our respective peoples, and to our fellow American Republics in this respect.

I feel confident that I can count on you, my dear Mr. President, to do everything in your power to advance the cause of friendly relations between the Dominican Republic and Haiti. Please be assured of my friendly and continuing interest in the matter, and feel free to call upon me, as I feel free to call upon you, for whatever assistance can be rendered in strengthening the peaceful ties between our three countries. I am making the same observation [43] in answer to a letter from President Lescot,[44] who, I feel certain, will share the viewpoint which both you and I maintain in this matter.

With renewed good wishes for the success of the Centenary, for your personal well-being and for that of the Dominican people, I am, my dear Mr. President,

Very sincerely yours, FRANKLIN D. ROOSEVELT

839.415/152

President Roosevelt to the President of Haiti (Lescot)

WASHINGTON, March 4, 1944.

MY DEAR PRESIDENT LESCOT: I am deeply grateful to you for Your Excellency's thoughtful letter of February 17 [45] which dealt in part

[43] See *infra*.

[44] Dated February 17, 1944; copy transmitted to the Department in a letter of February 18 from Ambassador White to Willard Barber (neither printed).

[45] Not printed.

with the proposed meeting with President Trujillo on the Haitian-Dominican frontier for the purpose of dedicating a Peace Monument.

I must with all frankness tell you that I hoped such a meeting would take place. It was consequently with the keenest regret that I learned the unfortunate degree of discord which has arisen in Haitian-Dominican relations to the extent that you were unwilling to meet President Trujillo at this time.

The common interests of Haiti and the Dominican Republic and the wholehearted collaboration of both of them in the common war effort impose upon their leaders the need for composing their differences in that spirit of mutual conciliation, which is the essence of the happy relations existing between the American republics. We have all subscribed to a system of public law which requires the peaceful settlement of disputes in this hemisphere. A ruthless enemy, who scorns that principle, is seeking to destroy us. We have an inescapable duty in this regard to our respective countries and to our fellow American republics.

The military threat to this hemisphere has happily diminished, and the combined might of the United Nations is pressing ever more heavily upon the Axis aggressors. The climax of our armed operations is approaching. In possible disunity among the United Nations the guilty Axis leaders see the only possible escape from the consequences of their crime, and they have done everything possible to foment such disunity. They must not succeed.

I feel confident that I can count on you, my dear Mr. President, to do everything in your power to advance the cause of friendly relations between Haiti and the Dominican Republic. Please be assured of my friendly and continued interest in the matter, and feel free to call upon me as I feel free to call upon you, for whatever assistance can be rendered in strengthening the peaceful ties between our three countries. I am making the same observation to President Trujillo who, I feel certain, will share the viewpoint which both you and I maintain in this matter.

In concluding, may I thank you for your suggestion regarding the manner in which it might be possible to supply Haitian labor to aid Dominican agricultural production for the war effort.[46] I have referred this suggestion to the pertinent United States officials for the careful study which it merits.

With cordial good wishes for your personal well-being and for that of the Haitian people, I am, my dear Mr. President,

Very sincerely yours, FRANKLIN D. ROOSEVELT

[46] President Lescot suggested, in his letter of February 17, that negotiations for the hiring of Haitian labor be conducted directly between the Haitian Government and United States representatives of the American industries involved (839.415/176).

COOPERATION OF THE UNITED STATES WITH OTHER GOVERNMENTS IN THE CONSTRUCTION OF THE INTER-AMERICAN HIGHWAY AND RAMA ROAD[1]

810.154/3251a : Circular airgram

The Secretary of State to Certain Diplomatic Representatives in the American Republics [2]

WASHINGTON, January 12, 1944—6 p. m.

The Department is informed that the Pan American Highway is no longer regarded by the United States Army officials as a military project.[3] Consumption of petroleum products for this purpose is automatically excluded from the war essential category. It may be possible to obtain approval for substantially reduced quantities of petroleum products for the same purpose under the classification of economic essentials. There is, however, currently an acute shortage of light petroleum products especially gas oil, kerosene, aviation and motor gasoline which will necessarily limit the quantities which can be authorized. You are therefore requested to prepare an estimate of quantities which can be justified from an economic point of view for the purpose of continuing operations on the highway.

HULL

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[1] For previous correspondence on efforts to minimize the problems caused by liquidation of the United States Army's Emergency Highway construction project in Central America, see *Foreign Relations*, 1943, vol. v, pp. 76 ff.

[2] Sent to Costa Rica, Guatemala, Honduras, Nicaragua, and Panama.

[3] Insofar as the United States Army officials were concerned, reference is to the so-called Pioneer Highway project undertaken by the War Department in June 1942 to establish as soon as possible a through line of communication from the Mexico–Guatemala border to the Panama Canal and terminated on October 31, 1943. Of the approximately 600 miles of Pioneer road completed by the War Department, about 200 miles was estimated to be useful to the future Inter-American Highway extending approximately 3,250 miles through Mexico, Guatemala, El Salvador, Honduras, Nicaragua, Costa Rica, and Panama; no United States funds had been appropriated for construction of this highway through Mexico, although the Export-Import Bank extended a loan of $30,000,000 to the Mexican Government in August 1941 to assist in the construction of a national system of roads including sections of the Inter-American Highway in Mexico; and this line of credit was increased by an additional $10,000,000 in July 1945. The Inter-American Highway is a part of the comprehensive system of highways joining the South American countries with the United States, Canada, and Alaska, popularly known as the Pan-American Highway.

810.154/3266

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

No. 847 GUATEMALA, February 11, 1944.
[Received February 15.]

SIR: I have the honor to refer to the Embassy's despatch no. 466 of September 28, 1943,[4] transmitting the text of the Agreement[5] between the Guatemalan Government and the United States War Department providing for the transfer to the former of road building equipment, in return for which the Guatemalan government agreed to spend an amount equivalent to the value thereof on the completion of the Pioneer Highway[6] (formerly RUME, now known as CIPA[7]).

Since the transfer of this equipment to the Guatemalan Government, the Embassy has been informed that there has been constant pressure from various agencies of the Guatemalan Government to divert certain items of equipment and machinery to other purposes. Colonel Charles Bickford, sub-Director of the Guatemalan Highway Department and Director of RUME and later of CIPA, has resisted such efforts and, according to him, has repeatedly reminded President Ubico that the Guatemalan Government is committed under its contract to use this equipment for the exclusive purpose of completing the military highway.

Colonel Bickford recently reported to the Embassy that he has been replaced by General Ydigoras Fuentes as Director of CIPA. He also expressed the fear that General Ydigoras Fuentes may divert equipment to other highway projects in the country. Colonel Bickford is highly dissatisfied with his demotion and threatens to resign from his position with the Government.

The fact remains that, according to Colonel Bickford, the only equipment which has been diverted from work on the CIPA to date consists of six dump trucks and two tractors, which is considered insignificant and at most could only be regarded as a technical violation of the terms of the Agreement between the Government and our War Department. Furthermore, it is understood that the Guatemalan Government has spent $50,000 per month on the highway during No-

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[4] *Foreign Relations*, 1943, vol. v. p. 88.

[5] The Supplemental Agreement of September 28, 1943, was Modification No. 3 of the original contract No. W-8022-Eng.-403 of September 28, 1942; neither printed.

[6] This arrangement was a variation of the termination procedure generally followed in each Central American country whereby the War Department-owned equipment, material, and supplies not required elsewhere would be offered for sale first to the Republic in which they were located, second, to the Public Roads Administration, and third, to the general public.

[7] RUME, *Ruta Militar de Emergencia* (Emergency Military Route); CIPA, *Carretera Internacional del Pacífico* (International Road of the Pacific).

vember and December and $30,000 during January. In view of the relatively small amounts which the Government spends on the entire highway system of the country, it is considered that the expenditures allocated to the Military Highway are an indication of good faith on its part. It might also be pointed out that President Ubico has cooperated with our War Department by releasing to it a large number of trucks, as well as scrapers and rock crushers for use on the emergency resurfacing job now under way at the air port in Guatemala City.

In that connection, Lieutenant Colonel W. W. Zass of the U. S. E. D.[8] called at the Embassy a few days ago to report that he was leaving Central America for other duties in the United States. In the course of our conversation Colonel Zass stated that he intends to propose to the Office of the Chief of Engineers a modification in the Agreement of September 28, 1943, which would enable the Guatemalan Government each quarter to withdraw equipment from the work on the Military Highway to the value of funds expended by it during such period. I believe that this suggestion is sound, as it would permit the Government, as the work approaches completion, to divert increasing amounts of equipment to other highway projects. I agree with Colonel Zass that it would not be logical for us to insist that the Government retain on the Military Highway equipment valued at over one million dollars if it could be used more effectively on other projects. Such an arrangement, furthermore, would have the advantage of relieving us from the possibly embarrassing position of having to insist with the Government on strict compliance with its agreement as now drafted. I should like to recommend that the Department express to the Office of the Chief of Engineers its concurrence in the proposed modification of this agreement.

In connection with the foregoing, it has occurred to me that the Department might like to explore with the Public Roads Administration the possibility of reaching an agreement with the Guatemalan Government for the release of certain funds understood to be available under Public 375[9] for the completion of work on the section of the Inter-American Highway from Guatemala City to the Salvador border. It is my understanding that a precedent has been established in other countries of Central America for the local government to contribute as its one-third share of the cost of various projects the rental value of machinery and equipment obtained from our War Department. It is believed that such an arrangement would be welcomed by the Guatemalan Government, as it would not involve any

[8] United States Engineering Department, United States Army.

[9] Public Law 375, "An Act to provide for cooperation with Central American republics in the construction of the Inter-American Highway," December 26, 1941; 55 Stat. 860.

major cash outlay on its part and would have the effect of expediting completion of work on this section of the Inter-American Highway. Assistance from us on this section would undoubtedly serve to stimulate the Guatemalan Government to intensified efforts toward the completion of the remaining section of the CIPA highway (Guatemalan Route 6–W) from Guatemala City to Ayutla.

If officials of the Department and the Public Roads Administration are in agreement in principle on the possibility of such a plan, I believe I could informally sound out the Guatemalan Government regarding its position without making any specific commitment.

The Embassy would be interested in receiving the Department's comments on the suggestions contained in this despatch.

Respectfully yours, GERALD A. DREW

810.154/3275a

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

No. 1143 WASHINGTON, March 16, 1944.

SIR: The Public Roads Administration has informed the Department that the Nicaraguan authorities wish to concentrate construction activities for the immediate future on the Sébaco–Jinotega section of the Inter-American highway [10] and to defer operations on the unfinished portions of the Inter-American highway north of Condega and on the Rama Road.[11]

The Department has no objection to construction activities on the Sébaco–Jinotega section of the highway, which will unquestionably open up a new and fruitful portion of Nicaragua. At the same time it does not view with favor the virtual abandonment of activities on the other two highway projects mentioned above.

The Department understands that the section of the Inter-American highway north of Condega contained most of the strips of the highway which had not been completed to Pioneer highway standards before the Pioneer highway project was abandoned. It appears highly desirable to improve these strips at the earliest possible opportunity in order that a good through all weather highway may thus become available.

Moreover, revised estimates recently prepared by the Public Roads Administration show that the cost of completing the Inter-American highway via the Jinotega route would greatly exceed the figure specified in the project statement of June 18, 1942 [12] and that even to

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[10] For United States-Nicaraguan agreement on routing the highway through this section, see exchange of notes signed at Washington, April 8, 1942, in Department of State Executive Agreement Series No. 295, or 56 Stat. (pt. 2) 1845.

[11] For text of agreement between the United States and Nicaragua on construction of the Rama Road, effected by an exchange of notes signed at Washington, April 8 and April 18, 1942, see *Foreign Relations*, 1942, vol. VI, pp. 574–575.

[12] Not printed.

complete the highway via Estelí and Condega would necessitate a moderate increase in that figure.

The United States is of course committed by the exchange of notes of April 8, 1942 to the Jinotega-Condega route. At the same time it appreciates that it may be difficult for the Nicaraguan Government to raise the extra cooperative funds which will be required of it if the Jinotega–Condega route is to be followed. Of the second $2,000,000 Export-Import credit obtained by the Nicaraguan Government, (see memorandum of conversation of September 7, 1943—copy attached for your convenience [13]) $1,750,000 has already been spent.

As you are doubtless aware, an auditor of the Public Roads Administration is now auditing the vouchers covering these expenditures, in as much as it appears that considerable disbursements have been erroneously charged to funds earmarked for the Inter-American highway. It appears that it should be possible to replace in large part the funds so diverted by funds received from the Army for work on the Pioneer highway. At the same time, the Department is apprehensive that, due to this unauthorized diversion of funds and the large increase in estimates, it may prove difficult for the Nicaraguan Government to provide its share of the cooperative funds required to complete the highway, via Jinotega, to high standards. The Department therefore believes that any construction between Jinotega and Condega should be postponed until after the section to the north of the latter city has been completed. In as much as the Pioneer highway was virtually completed from Sébaco to Condega via Estelí, the completion of the section north of Condega would provide a good through route in northern Nicaragua.

You are requested to inform the Nicaraguan authorities fully with respect to the above situation. You may indicate that the Congressional authorization under which this Government is defraying two-thirds of the construction costs on the Inter-American highway specifically required the President to assure himself that a through highway would be completed, and that the Department has the responsibility of seeing to it that this will be done, when giving its approval to any program of cooperative road construction in Nicaragua. You should make it clear that this Government is prepared to abide by its commitment embodied in the exchange of notes of April 8, 1942, but you should point out that if the Nicaraguan Government still wishes to carry out the program agreed to therein, it should be prepared to fulfil the reciprocal commitment it made on that date to defray at least one-third of the cooperative expenditures proposed to be incurred in completing the highway across Nicaragua by the Jinotega route. In this connection both the money diverted from the al-

[13] Memorandum not printed.

located Export-Import credit and the increase in estimated expenditures must be taken into consideration.

You are also requested to inform the Nicaraguan authorities that the Department feels that it would be undesirable to further delay construction of the Rama road, and to inquire whether the Nicaraguan Government would not be prepared to undertake construction on this route in a more vigorous manner.

Very truly yours, For the Secretary of State:
A. A. BERLE, JR.

810.154/3292

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

No. 1016 GUATEMALA, April 11, 1944.
[Received April 15.]

SIR: I have the honor to refer to the Embassy's Despatch No. 847 of February 11, 1944, in which the possibility was suggested that an arrangement might be worked out with the Guatemalan Government for the conclusion of a Cooperative Agreement under the terms of Public 375 to provide for the contribution by the Guatemalan Government of the rental value of machinery and equipment obtained from our War Department, as its one-third share of such projects as might be agreed on. The Department's Instruction No. 424 of March 2, 1944,[14] authorized the Embassy to discuss this proposal with the Guatemalan authorities.

In view of the approaching visit of General Fleming of the Federal Works Agency[15] and Messrs. MacDonald and James of the Public Roads Administration,[16] I considered it desirable to defer discussion of this subject with the Guatemalan Government until I had an opportunity of going over the matter with the American officials named.

General Fleming and his party called at the Embassy on April 5, at which time highway matters and this problem were discussed. In the course of our conversation it occurred to us that before making such a proposal to the Guatemalan Government, it would be desirable to inquire carefully into the legality of accepting as the Guatemalan contribution the rental value on the equipment and machinery turned over to it by the United States War Department under the Agreement of September 28, 1943.

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[14] Not printed.
[15] Maj. Gen. Philip B. Fleming, Administrator, FWA.
[16] Thomas H. MacDonald, Commissioner, and Edward W. James, Chief, Inter-American Regional Office, PRA.

In the hypothetical case that the Guatemalan Government should decide to suspend construction of the CIPA and withdraw the equipment and machinery for use on other projects, our War Department would presumably be in a position to cancel the Agreement of September 28, and insist on the return to it of the equipment. While it is true that this equipment was not turned over to Guatemala as an outright gift, in view of the fact that it undertook to make expenditures equal to the value thereof, some question exists regarding the actual moment at which Guatemala will acquire definitive title to the equipment.

In view of the question which has arisen in this regard, it occurs to me that either the Department or the Public Roads Administration might wish to submit the question to the Comptroller General for an opinion before I discuss the matter with the Guatemalan Government.

Pending further instructions in the premises, no action will be taken by the Embassy.

Respectfully yours, BOAZ LONG

810.154/3292

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

No. 518 WASHINGTON, May 17, 1944.

SIR: Reference is made to your despatch no. 1016 with regard to the proposed cooperative agreement with the Guatemalan Government under the provisions of the Act of December 26, 1941,[17] for the construction of the Inter-American Highway.

As you are aware the original agreement to construct the pioneer all-weather highway was entered into on September 23, 1942. This was modified by supplemental agreements of June 14, 1943 and August 8, 1943.[18] Under the pioneer highway agreement, the United States (through the War Department) agreed to reimburse the Government of Guatemala at least monthly for the cost, without profit, of all of the work performed and the materials furnished by the Republic required to complete the work as specified, providing that the engineering and overhead expenses should not exceed ten per cent of all other costs. The maximum limit on costs on the June 14 supplement was stated as $1,600,000 and was increased to $3,289,250 in the August 8 supplement.

A new supplemental agreement terminating the pioneer highway project was entered into on September 28, 1943. It was estimated the reimbursable expense which would be incurred to October 31, 1943, the date at which the United States would withdraw, would be $2,600,-

[17] Public Law 375. See footnote 9, p. 189.
[18] Neither printed.

000 and it was estimated that the construction required to complete the project after October 31 would cost approximately $1,000,000. It was also estimated that a fair value of the equipment belonging to the United States Government was also $1,000,000. It was therefore agreed that the contract should be modified in the following particulars but in no others:

"(*a*) That active construction work as reimbursable by the Government be terminated October 31, 1943.

"(*b*) That in lieu of and in complete fulfillment of this contract, the Government transfer without cost to the Republic all equipment, spare parts, materials, supplies, small tools and other property owned by the Government and stored or in use on the project as of midnight October 31, 1943.

"(*c*) That all obligations, claims and damages properly incurred by the Ruta Militar de Emergencia prior to midnight October 31, 1943 as would have been reimbursable under the terms of the contract, will be reimbursed by the Government.

"(*d*) That all expense incidental to the cost of carrying forward the project subsequent to October 31, 1943 and to closing the contract, except the direct cost of the Government in carrying out its part of such inventory, audit and final settlement, shall be borne by the Republic.

"(*e*) That the Republic will proceed with the construction of the Pan American Highway at its own expense generally in accordance with the plans and specifications prepared by the Government to the extent that construction is not less than the value of the equipment, supplies, materials and other property transferred to the Republic under paragraph "*b*" above will be performed by the Republic.

"(*f*) That the Republic will utilize the equipment, supplies, materials and other property transferred to the Republic solely for the purpose of completing the construction of the Pan American Highway, or in the maintenance of completed segments, until the construction is completed or the expense so incurred is equal to the value of the equipment, supplies, materials and other property transferred.

"(*g*) That the Republic will prosecute the completion of the work with reasonable speed and dispatch.

"(*h*) That the depreciated book value of equipment shall be the list value as posted in the Pan American Highway office in Los Angeles plus one half the freight charge from the United States to the project less the accrued rental from the time the equipment was made available in the United States to October 31, 1943."

From the above it is evident that the title to the $1,000,000 of equipment was transferred conditionally to the Government of the Republic of Guatemala, the condition being that Guatemala undertake to carry on construction on the pioneer highway (now called CIPA) to the extent of the value of the property transferred. From the reports received from the Embassy it is apparent that Guatemala has continued its construction of the highway but at a slow pace. The title to the property will become unconditional as soon as Guatemala has made an expenditure equivalent to the value of the transferred equip-

ment. As soon as this condition has been fulfilled there will be no objection to the agreement to permit the use of the rental value of this equipment as part of Guatemala's contribution to the Inter-American highway at standard rental rates.

In a letter dated April 27, 1944 [20] from the Public Roads Administration Mr. MacDonald, Commissioner of Public Roads stated:

"When this work has been completed, the title to this equipment will be clear and its use on the Inter-American Highway will not, as far as we can see, be open to question. It is my feeling that any delay in the initiation of work on the Inter-American Highway in Guatemala, which may result if this view is accepted, will be of less importance than the embarrassment which could easily result from the initiation of this work at this time if such initiation is based on an assumption as to the rights of Guatemala in this equipment which later was called into question.

"In this connection it seems appropriate to add that it is assumed that there is complete agreement that rental charges accrue as a credit only when and as equipment is used on a project that has been covered by formal agreement. It is unlikely that all of the equipment transferred to Guatemala under the agreement of September 28, 1943, will be in use on the Inter-American Highway at any one time. Ordinarily it would be distributed over various projects some of which would probably be on other parts of the Guatemala highway system. This suggests the importance of a clear understanding that when work on the Inter-American Highway is undertaken under formal agreements, rentals can be allowed only on such units of this equipment as are actually employed on this work and on these units only while they are so employed."

The Department concurs with the opinion expressed by the Public Roads Administration and feels that the matter can be properly discussed as soon as the Republic of Guatemala has fulfilled its obligation under the terms of the agreement of September 28, 1943.[21]

Very truly yours, For the Secretary of State:
A. A. BERLE, JR.

810.154/3326

The Ambassador in Nicaragua (Stewart) to the Secretary of State

No. 2314 MANAGUA, June 9, 1944.
[Received June 20.]

SIR: I have the honor to refer to the Department's instruction no. 1143, dated March 16, 1944, concerning highway construction in Nicaragua, as well as to a memorandum on this subject dated June 5, 1944,

[20] Not printed.

[21] On November 2, 1945, the Guatemalan Foreign Office notified the American Embassy that Guatemala had fulfilled its obligations to the United States Army Engineers to expend $1.508.257.60 (the value of equipment transferred) on the Pioneer Highway (810.154/11–845).

prepared by Mr. Philip W. Bonsal of the Department [22] and forwarded by him from Tegucigalpa, Honduras.

The Embassy desires to submit the following comments on highway construction, which it hopes will be of use to the Department in its further consideration of this subject:

1. From the Department's instruction under reference, it is noted that the Public Roads Administration has informed the Department that the Nicaraguan authorities wish to concentrate construction activities for the immediate future on the Sébaco–Jinotega section of the Inter-American Highway and to defer operations on the unfinished portions of the Inter-American Highway north of Condega and on the Rama Road.

The Nicaraguan authorities are presently employing approximately one half of their road-building equipment (not counting that employed in maintenance and other projects) on the Sébaco-Matagalpa section of the Inter-American Highway. Another half, approximately, is being used on the Rama Road. To work on that section of the Inter-American Highway between Condega and the Honduran border at present would mean diverting equipment from the two major projects being pursued. Moreover, the local representative of the Public Roads Administration and of the Nicaraguan Highway Department [23] are both of the opinion that to work on the Condega-Honduran border section now would mean an excessively long haul of materials from base, excessive wear on rubber, which is in short supply, and also an excessive consumption of gasoline, which is likewise in short supply.

It is understood, moreover, that the connecting stretch in Honduras will not be in shape for the next two years.

2. The Department points out in its instruction under reference that the cost of completing the Inter-American Highway via Matagalpa, Jinotega, and Condega will exceed considerably the cost via Sébaco and Estelí. It is believed that this is understood by the Nicaraguan Government. Until, however, some fairly accurate estimate of that cost is available, it will hardly be useful to discuss with the Nicaraguan Government what their share of the extra cost will be or to imply that the Nicaraguan Government may not have the funds with which to meet its share. The Embassy has no information as to whether the Nicaraguan Government intends to seek an additional credit from the Export-Import Bank to meet these extra costs or whether it has funds available. It is believed, after studying the status of the Nicaraguan Government's finances, that funds may be available without further borrowing, if the Government desires to utilize them. In any event, the status of Nicaragua's public debt is such as presumably to justify an additional credit, if it is sought.

3. The Department alludes to the confusion which exists in the bookkeeping of the Nicaraguan Highway Department and to the fact

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[22] Memorandum not found in Department files; Mr. Bonsal, Deputy Director of the Office of American Republic Affairs, was currently on tour of diplomatic missions in several Central and South American Republics.

[23] Edward W. James and Thomas A. Jones, respectively.

that an auditor of the Public Roads Administration is currently in Managua to audit expenditures.

There can be no question that confusion does exist and that the bookkeeping system employed by the Nicaraguan Highway Department has not been adequate. Mr. Meadows, the PRA auditor, informs the Embassy that he has thus far been devoting his time to installing a new system beginning as of January 1, 1944—a process which will take at least two more months. He feels that a final audit from January 1, 1942, will not be completed until, perhaps, the end of this year.

The Embassy has no facility for fixing any blame that may attach to the unsatisfactory manner in which the accounts have been kept by the Nicaraguan Highway Department. By the agreement signed June 18, 1942,[24] which was retroactive to December 1941, PRA undertook to furnish a resident manager and an auditor. Mr. Adams, the resident manager, arrived in Managua in July 1942. During the early period of the agreement, traveling auditors came to Managua for two weeks at a time. One auditor stayed only three days and left the job. Another came in April 1943 and stayed two months. An auditor has been here continuously since April 1943, when, for the first time, "Project Ledgers" were started. Mr. Meadows, the present auditor, arrived in Managua in September 1943. As of interest in understanding the auditing problem, there are enclosed, for the confidential information of the Department, memoranda dated March 9, 1944, and June 5, 1944, respectively.[25] Likewise, it may be added that Mr. Meadows has expressed the very tentative opinion that in due course the whole matter can be ironed out quite satisfactorily. This, apparently, was also the opinion of Mr. Jiménez, the Export-Import auditor who completed an audit to June 30, 1943. (It is understood, confidentially, that this audit was never released, in as much as it contained statements which did not meet with the approval of PRA.) The turnover of auditors in the earlier periods, which was said to be due to the manpower shortage, has tended to enhance existing confusion.

4. The Department will recall that during the dry season it has been quite feasible to traverse all the northern section of the Inter-American Highway in Nicaragua to the Honduran border going via Sébaco, Estelí, Condega, etc. In fact, a station wagon transport system was inaugurated between San Salvador and Managua during the dry season. The Nicaraguan Highway Department has already received information that some washouts have occurred this rainy season between Condega and the Honduran border. This was expected. But transit through Honduras is subject to similar difficulties in the wet season, and no through traffic could be expected in any event.

5. In spite of the standing agreement between Nicaragua and ourselves, the Embassy is reluctant to see the immense amount of work done by the Army between Sébaco and Condega go unused. This stretch, which no longer forms the route of the Inter-American Highway, remains the shortest route, by about 50 kilometers, between Sébaco and Estelí, and it is all but finished. It was unfortunate that

[24] Not printed.
[25] Neither printed.

it could not have been completed by the Army before its work on Nicaraguan highways was suspended. The Nicaraguan Highway Department states that President Somoza is not averse to doing some maintenance work on this stretch, but it seems evident that Nicaragua will spend no funds to complete that road now that we have agreed to go through Matagalpa and Jinotega.

In discussing this matter while Mr. Bonsal was in Managua, the suggestion was advanced that the Sébaco–Matagalpa–Jinotega section might be considered as a spur—and a useful spur—to the Inter-American Highway but that perhaps it would be unnecessary to construct the Jinotega–Condega section. The Embassy understands that it will take three years to complete the whole Sébaco–Condega section via Matagalpa and Jinotega. It would be eminently desirable to utilize the Sébaco–Estelí–Condega sections as the Inter-American Highway. Naturally this will require negotiation with the Nicaraguans, who will naturally be reluctant to have the main road pass by this route. Property values on the other route, where there is much good agricultural land, would not be enhanced to the same extent if the Sébaco–Jinotega section became merely a spur.

Before any negotiations can be undertaken with the Nicaraguan Government, it would seem that the Embassy should be provided with fairly accurate figures of costs of the several alternatives. Mr. Jones, of the Nicaraguan Highway Department, expects to send out a survey party over the Jinotega–Condega section at an early date which, basing costs on recent experience which is assumed to be the apex of the rising cost curve, should give a relatively good estimate of that work. With figures in hand, it is possible that some agreement might be reached to use the Sébaco–Estelí–Condega stretch while, at the same time, giving Matagalpa and Jinotega good access roads.

6. Attention is invited to the intention of the PRA and the Nicaraguan Highway Department not to have the Sébaco–Matagalpa–Jinotega–Condega section pass through Estelí, but rather to go more or less directly from Jinotega to Condega.

In view of the foregoing, it would be appreciated if the Department would review its instruction no. 1143, dated March 16, 1944, and determine whether the representations to the Nicaraguan Government requested therein should now be made. The Embassy is inclined to the view that representations should await, in the case of the bookkeeping tangle, the result of the audit and, in the case of the Inter-American Highway in its northern section in Nicaragua, more accurate estimates of costs of the several alternatives.

Respectfully yours, JAMES B. STEWART

810.154/8–144

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

No. 1376 GUATEMALA, August 1, 1944.
[Received August 5.]

SIR: I have the honor to refer to my despatch no. 1374 of August 1, 1944, forwarding a copy and translation of Foreign Office note no.

9836 dated July 31, 1944.[26] The note proposes that the entire Inter-American Highway in Guatemala be brought under Public no. 375, and the exchange of notes of May 19, 1943,[27] which I trust will open the way for the Department to make any suggestions it thinks fitting.[28]

The interim Government has taken this step largely at the instance of its Director of Roads, General Miguel Ramón Ydigoras Fuentes, whose most urgent wish of the moment seems to be to finish the connection with Mexico through Cuilco, or some other point north thereof.

General Ydigoras is very anxious to get started and although I have explained to him the existing shortage of manpower in the United States, he argues that we can do several things:

[Here follow suggestions regarding aero-photography, movement of road construction equipment, and provision of master mechanics; and comment by the Ambassador on selection between two possible routes.]

Respectfully yours, BOAZ LONG

810.154/8–1144

The Secretary of State to the Ambassador in Nicaragua (Stewart)

No. 1339 WASHINGTON, September 2, 1944.

SIR: Reference is made to the Embassy's despatches nos. 2314, 2398 and 2474 dated June 9, July 14, and August 11, 1944[29] respectively and to the Department's instructions nos. 1143 and 1304 dated March 16 and August 3, 1944,[30] relating to the future of highway construction in Nicaragua.

As pointed out in instruction no. 1143, March 16, 1944, it appears that considerable disbursements have been erroneously charged to funds earmarked for the Inter-American Highway from the second $2,000,000 Export-Import credit obtained by the Nicaraguan Government.[31] No final report has been received by the Department as to the results of the audit of the Public Roads Administration. The Department hopes that it will very shortly be possible for the Embassy

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[26] Neither printed.

[27] Inter-American Highway Agreement between the United States and Guatemala; for text, see Department of State Executive Agreement Series No. 345, or 57 Stat. (pt. 2) 1111.

[28] On September 1, 1944, the Public Roads Administration concluded a Project Statement and Memorandum of Understanding with Guatemala which mentioned United States funds of $6,600,000 to be set aside by the PRA for work in Guatemala and indicated that Guatemala would pay from its funds one-third of the total cost of the project (in accordance with provisions of Public Law No. 375). For text of Project Statement, see U.S. Congress, Senate Hearings before a Special Committee Investigating the National Defense Program, 80th Cong., 1st sess., pursuant to S. Res. 55 . . . pt. 37, Inter-American Highway, p. 21781.

[29] Despatches 2398 and 2474 not printed.

[30] Instruction 1304 not printed.

[31] In May 1939 a credit of $2,000,000 was authorized by the Export-Import Bank in favor of Nicaragua, and in March 1941 a second credit of $2,000,000 was authorized to finance further construction of roads and other public works.

to furnish adequate information regarding the ability of Nicaragua to finance the cooperative highway program, as indicated in its instruction of August 3. The Department wishes to be certain not only that the diverted funds will be restored, but also that the Government of Nicaragua has sufficient funds available to reimburse its entire share of the total construction costs, in view of the great increase in the estimated totals as indicated in Department's instruction no. 1304 of August 3, 1944, and also in the enclosure to the Embassy's despatch no. 2474 of August 11, 1944.[33]

The Department has studied the figures presented by Mr. Thomas A. Jones, Chief Engineer of the Nicaraguan Highway Department, enclosed in Embassy's despatch no. 2474 of August 11, 1944, and in view of the great difference both in distance and costs between the Sébaco–Estelí–Condega route and the Matagalpa–Jinotega route, you are requested to inform the Government of Nicaragua that this Government believes that the Sébaco–Estelí–Condega route would be preferable and to indicate the desirability of returning to this original route as the official Inter-American Highway. When the original studies were made there did not appear to be any great difference in the costs between the two routes, but in view of the Pioneer Road construction and because of the revision in estimates, the difference in completing the two projects would now appear to be very great. Whereas certain factors have undoubtedly tended to accentuate the differences between the costs of the routes as estimated by Mr. Jones in December, 1941 and July, 1944, the Department is at a loss to understand how the difference in distances can have increased from 35 kilometres to 64 kilometres. This is a further important argument for returning to the Estelí route.

. . . The principal basis for your advocacy of the Estelí route should be not only the great economy in costs and the saving in distance but also the fact that according to the Public Roads Administration, no practical route has as yet been found to connect Jinotega and Condega.

If the Government of Nicaragua insists upon the official route,[34] the Government of the United States is committed to undertake con-

[33] A memorandum of August 1946 (810.154/9–646) by Mr. W. P. Cochran, Jr., Chief of the Division of Caribbean and Central American Affairs, on the status of the Inter-American Highway for the period January 1, 1944–June 30, 1946, contained the following: As regards the investigation of Nicaraguan highway finances, Mr. James of PRA reported on October 19, 1944 (810.154/10–1944) that the Nicaraguan Highway Department was nearly $2,300,000 in arrears, being in default on payments for equipment purchased from the United States Army Engineers; having two overdrafts at the Bank of Nicaragua; owing $200,000 on equipment and supplies already en route to Nicaragua. The cost of all road construction was increased in December 1944 when President Somoza granted a wage increase of approximately 50% to all road workers (810.154/12–2144).

[34] The Matagalpa–Jinotega–Condega route agreed upon in the exchange of notes of April 8, 1942; for texts, see Department of State Executive Agreement series No. 295, or 56 Stat. (pt. 2) 1845.

struction on the basis of the 2/3–1/3 contribution, but it would require a clear indication of Nicaragua's ability to pay its full 1/3 of the cost, as this Government would be averse to partial construction along this route unless the construction of the whole distance was assured at one time.

From a careful study of the map enclosed with your despatch no. 2474,[35] it would appear that there has been a deviation from the official route between Matagalpa and Jinotega to include La Fundadora,[36] which would add extra distance and extra cost to the official route. The Department is unalterably opposed to any such change if it would necessitate a deviation from the route which cost and constructional considerations would recommend. Should the Nicaraguan authorities insist that the route via La Fundadora is the best route, the Department would accede only after study and favorable recommendation by an independent engineer.

The Department's instruction no. 1304 of August 3, 1944,[35] merely directed you not to quote figures in writing; there is no objection to your discussing estimates orally with Nicaraguan authorities.

Very truly yours, For the Secretary of State:
A. A. BERLE, JR.

810.154/9–2944

The Ambassador in Nicaragua (Stewart) to the Secretary of State

[Extracts]

No. 2590 MANAGUA, September 29, 1944.
[Received October 9.]

SIR: I have the honor to refer to the Department's instruction no. 1339, dated September 2, 1944, authorizing negotiations with Nicaraguan officials with respect to the future program of highway construction in which the United States is interested in Nicaragua, and to report that on September 27, 1944, I had an interview with President Somoza on this subject. I was accompanied by Mr. Finley, First Secretary.

. . . . . .

Summarizing the results of our conversation, it will be noted that the President:

1) Tacitly agreed to forego the construction of the Jinotega–Condega stretch, thus, in effect, ratifying the Sébaco–Estelí–Condega route as that of the Inter-American Highway;

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[35] Not printed.

[36] President Somoza's farm, which was about 9 kilometers north of the projected route between Matagalpa and Jinotega.

2) Refused to accept an improvement of the presently existing bullock cart roads between Matagalpa and Jinotega;
3) Is convinced that the La Fundadora route to Jinotega is the most feasible from all points of view and is willing for an impartial engineer to survey that question;
4) Is willing to have the Matagalpa–La Fundadora–Jinotega road constructed to 10%–30 meter specifications, providing the width meets P. R. A. standards, and is willing to consider a shorter route than that proposed via Apanas if a feasible one can be found;
5) Accepts to place all of his equipment on the Atlantic Highway [38] (except enough to provide maintenance of the Sébaco–Estelí–Condega–Honduran Border section, which has recently been traversed by Mr. James of P. R. A. in the midst of the rainy season without difficulty) immediately the road to Jinotega is finished;
6) Accepts the 10%–30 meter standard for the Atlantic Highway.

It would appear from the above that a considerable saving to the United States will result from this arrangement. Roughly, this saving will be ⅔ of the cost of the projected road from Jinotega to Condega, or about $2,000,000, and ⅔ of the difference of the cost of the road from Matagalpa to Jinotega by reason of the reduced standards, or about $500,000—a total of about $2,500,000. More rapid completion of the Atlantic Highway is also obtained, as well as maintenance of the Sébaco–Estelí–Condega–Honduran Border section. The final completion of this latter stretch, however, will be left until the Atlantic Highway is completed.

With reference to the ability of Nicaragua to finance the remainder of the road program, I remarked to President Somoza—as has been stated above—that the credits from the Export-Import Bank had now been practically exhausted. I pointed out that the completion of the route Matagalpa–Jinotega–Condega would cost Nicaragua about $1,600,000. The President retorted that Nicaragua would be prepared to pay $2,000,000 to get what it wants. Since as a result of our conversation the President decided to forego the construction of the Jinotega–Condega section, and since the further expenditures on the part of Nicaragua (⅓ of $1,000,000 to build the second-class road from Matagalpa to Jinotega, and ⅓ of $2,000,000, the cost of completing the Sébaco–Estelí–Condega–Honduran Border section) totals only about $1,000,000, I did not press the President for any further commitment on this point.

I should be glad if the Department would inform me whether the

[38] "Highway to the Atlantic," also known as the "Rama Road."

above is acceptable and, if so, whether it is desired that I initial a memorandum of agreement with President Somoza on the bases indicated.[39]

Respectfully yours, JAMES B. STEWART

[39] On October 26, 1944, the Embassy was instructed to ascertain from President Somoza whether he would be prepared to negotiate a revised Project Statement on the basis suggested in the Embassy's despatch No. 2590 (810.154/9–2944). A revised Project Agreement was sent to the Embassy in February 1945 and this draft was then discussed with President Somoza, who emphasized that his oral acquiescence was binding. Agreement was later reached with President Somoza that the Inter-American Highway should run Condega–Estelí–Sébaco, with a spur to Matagalpa and Jinotega, *not* to pass through La Fundadora, but 9 kilometers south of the President's farm (810.154/9–1045).

DISCUSSION CONCERNING COMPLETION OF THE CARIBBEAN LAND-SEA ROUTE THROUGH HAITI AND THE DOMINICAN REPUBLIC [1]

810.154/3323a : Telegram

The Acting Secretary of State to the Ambassador in the Dominican Republic (Briggs)

WASHINGTON, June 8, 1944—4 p. m.

217. The Department and the Public Roads Administration would appreciate receiving the comments of the Embassy as to the feasibility at this time of calling the attention of the Dominican Government (1) to the desire of this government to see at least one of the two proposed Ciudad Trujillo–Port-au-Prince highway routes [2] completed at the earliest possible moment and (2) to the possibility of transferring the remaining funds to the Haitian Government to enable it to complete the unfinished section of the Northern Route should the Dominican Government feel itself unable to proceed promptly with its section of the Southern Route. It is highly desirable that a decision be reached on this matter by July 1 in as much as it is the understanding of the Department that the Lend-Lease funds involved [3] expire at that time.

STETTINIUS

810.154/3324 : Airgram

The Ambassador in the Dominican Republic (Briggs) to the Secretary of State

CIUDAD TRUJILLO, June 13, 1944—10:30 a. m.
[Received June 16—11 a. m.]

A–264. Reference Department's telegram no. 217 of June 8, 1944, 4 p. m. All location, clearing and grading on the Jimaní–Cabral section was completed during April. Arrangements were begun toward setting up a project voucher covering the operation of surfacing the approximately 62 kilometers remaining. The Resident Engineer of the Public Roads Administration [4] prepared an estimate of the cost of such operations, requesting at the same time that the Dirección General de Obras Públicas prepare a similar estimate.

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[1] For previous correspondence on the construction of this route, see *Foreign Relations*, 1943, vol. v, pp. 99 ff.

[2] A northern, mountainous route and a southern, lowland route.

[3] $500,000 allocated in 1942.

[4] Frank H. Gardner.

The estimate submitted by the Dirección General de Obras Públicas on May 19 was for a total of approximately $72,000. The estimate which the Resident Engineer had prepared was for a total of approximately $40,000. After examination of the two sets of figures, however, it was found that the main reason for this divergence lay in the fact that the Director General de Obras Públicas [5] had included in his estimate certain items which, in the opinion of the Resident Engineer, are not essential for the completion of the road as envisaged in the Memorandum of Understanding.[6] Those items are essentially refinements of construction which, although perhaps desirable from the viewpoint of the Dominican Government, are not in Gardner's opinion essential to this road, which was intended primarily as an emergency route.

A memorandum setting forth these views and demonstrating which items are justifiable was submitted to the Dirección General de Obras Públicas on June 5, 1944. The Director General stated, upon presentation of the memorandum, that he intended to recommend that a project voucher be set up covering the costs as estimated by the Resident Engineer and that the road be completed in accordance with the Director General's specifications with the Dominican Government paying any difference in cost.

I am awaiting his definitive reply and will at once inform the Department on its receipt.

BRIGGS

810.154/3324 : Telegram

The Secretary of State to the Ambassador in the Dominican Republic (Briggs)

WASHINGTON, June 19, 1944—10 p. m.

237. Reference Embassy's A–264, June 13 and previous. The Department and Public Roads Administration understand that sufficient funds are available to have this Government meet entire cost of $72,000 for completion of Jimaní–Cabral section in manner desired by the Dominican Government and feel that Dominican Government justified in wanting to put this much into road. Since it is doubtful however whether funds involved can legally be transferred to Haiti after June 30, it is of utmost importance that Dominicans indicate intentions immediately to put and keep sufficient equipment on the road to prosecute completion with satisfactory rapidity.

The Embassy is instructed to press this matter with Dominican Government.

HULL

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[5] José A. Fernández.

[6] The original road-construction agreement signed at Ciudad Trujillo, November 9, 1942; for text, see *Foreign Relations*, 1942, vol. v, p. 276.

810.154/3327 : Telegram

The Ambassador in the Dominican Republic (Briggs) to the Secretary of State

CIUDAD TRUJILLO, June 20, 1944—8 p. m.
[Received 11:10 p. m.]

287. Department's confidential telegram No. 237, June 19, 10 p. m. I discussed the desirability of the completion of this highway with President Trujillo on June 17 and at his suggestion with the Foreign Minister,[7] the Director General of Public Works and Gardner on June 19. The point at issue remains the cost, Gardner now asserting that the road can be completed (on the basis of the memorandum of November 1942) for about $45,000 whereas the Dominicans continue to press for $72,000. After prolonged discussion I suggested as a compromise (to which Gardner assented) that we agree to furnish $55,000—a project voucher and the necessary estimates in that amount to be prepared by Gardner—with the understanding that any excess over that amount that the Dominicans consider should be spent, be for their account.

I am awaiting the reply of the Dominican Government in which connection the authorization contained in the first sentence of the Department's telegram under reference will be useful in the event acceptance is not forthcoming. I assume however that it is the Department's desire that our participation be as economical as possible consistent with our commitments.

BRIGGS

810.154/3327 : Telegram

The Secretary of State to the Ambassador in the Dominican Republic (Briggs)

WASHINGTON, June 24, 1944—8 p. m.

245. Reference Embassy's 287 of June 20, 8 p. m. and previous correspondence. Bill extending current funds for construction of International Highway until June 30, 1945 and permitting transfer to Haiti at any time within next fiscal year[8] has received Congressional approval. Presidential approval pending but likely. Department and Public Roads Administration nevertheless emphasize need for speed by Dominicans in placing necessary equipment on road.

HULL

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[7] M. A. Peña Batlle.

[8] An Act dated May 17, 1944 (Public Law No. 304, 58 Stat. 222) amended the original "Act to promote the Defense of the United States" (approved March 11, 1941, 55 Stat. 31) to provide an extension of Lend-Lease appropriations from June 30, 1944, to June 30, 1945.

810.154/6–2744 : Telegram

The Ambassador in the Dominican Republic (Briggs) to the Secretary of State

CIUDAD TRUJILLO, June 27, 1944—8 p. m.
[Received 11:12 p. m.]

301. My telegram No. 287, June 20, 8 p. m. A Project Statement was signed today by Gardner and the Director General of Public Works approving total of $65,000 for surfacing and completion of remainder of Jimaní–Cabral road. Previous commitments total $103,664 plus asphalt project of $7,500; total funds obligated in the Dominican Republic are therefore approximately $176,000. Project Statement being forwarded by pouch. Please inform James.[9]

A primary reason for the Dominican delay and maneuvering on this final budget appears to have been their belief, derived from Gardner that any balance between the total amount agreed upon for work in this country and the $200,000 maximum mentioned in the Memorandum of Understanding would be allocated to Haiti. I consider the figure finally agreed upon to be the lowest obtainable in all the circumstances and have been assured by the Dominican authorities that they will forthwith make equipment available and get to work.

BRIGGS

838.154/9–2644

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

No. 247 PORT-AU-PRINCE, September 26, 1944.

SIR: I have the honor to report that the work of the United States Public Roads Administration has been formally terminated in Haiti. Mr. Frank H. Gardner, Resident Engineer, has provided this Embassy with a copy of his letter of September 15, 1944, to the Secretary of State for Public Works, in which he states that the Public Roads Administration cannot approve any additional work on the Morne-à-Cabrit road.

The termination of this work occasioned some unwarranted comment in *Le Nouvelliste* of September 19. This paper said that the few Haitians employed by the Public Roads Administration became unemployed automatically, that Haiti did not have time to benefit to any extent from the project, and that the idea of Pan American roads was to unite the American Republics.

This comment fails to stress, perhaps deliberately, the essential fact about the closing of the office of the Public Roads Administration in

[9] Edward W. James, Chief, Inter-American Regional Office, Public Roads Administration.

Haiti. The office was opened, not to assist the Haitians, but to construct roads which would permit transport of goods to Puerto Rico, with a maximum of freedom from submarine attack, thus assisting in the prosecution of the war. When the submarine menace virtually disappeared, there was no further need for an alternative to an all sea route to Puerto Rico, and consequently, the Public Roads Administration closed its doors in Haiti.

Respectfully yours, ORME WILSON

839.154/12–1644 : Telegram

The Ambassador in the Dominican Republic (Briggs) to the Secretary of State

CIUDAD TRUJILLO, December 16, 1944—6 p. m.
[Received 9:11 p. m.]

533. With reference to my telegram No. 530, December 13, 5 [*6*] p. m.,[10] Smyth [11] of Public Roads Administration has just proceeded over the Cabral–Jimaní road and reports the almost complete absence of trucks or hauling equipment and no material progress. It is accordingly suggested that I be authorized to transmit a note to the Foreign Office containing sufficient background information to indicate that the Embassy is fully aware of the failure of the Dominican Government to meet its commitments and requesting that the Dominican Government inform the Embassy whether it is prepared to complete the work on the road within 8 months allotting such additional funds of its own as it may consider necessary for completion. I suggest that the note state further that should the position of the Dominican Government in this respect be negative the United States Government proposes to cancel the agreement [12] in order that it may use the $65,000 elsewhere. This suggestion has been discussed with Smyth who is in accord. He is also of the opinion that [$]65,000 is adequate for completion of the road on the basis agreed upon with a maximum additional cost of $10,000 to repair rain damage, et cetera. It would be appreciated if the Department would take this matter up with Public Roads Administration sending telegraphic reply as soon as may be possible.

BRIGGS

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[10] Not printed.
[11] A. P. Smyth succeeded Frank Gardner as Resident Engineer in October 1944.
[12] Reference is to the Project Statement signed June 27, 1944; see telegram 301, June 27, 8 p. m., p. 207.

839.154/12–1644 : Telegram

The Ambassador in the Dominican Republic (Briggs) to the Secretary of State

CIUDAD TRUJILLO, December 16, 1944—8 p. m.
[Received December 17—7:40 a. m.]

534. Supplementing my cable 533, December 16, 6 p. m., it would in my opinion be both futile and undignified for us to press the Dominican Government further for completion of the highway since to do so would constitute in effect our begging them to spend our money on a project in which on the record they have no interest. From every viewpoint seems desirable to insist that they state now whether they are prepared to complete the road within a specified (and according to Smyth reasonable) period, and if not for us to cancel the credit.

Dominican views in the premises are governed largely by their anti-Haitian bias which leads them to doubt desirability of having any (much less improving) communications with Port-au-Prince. Secondarily the section of Barahona Province between Cabral and Jimaní is an arid underpopulated and unproductive one with little possibility of agricultural development.

BRIGGS

839.154/12–1644 : Telegram

The Secretary of State to the Ambassador in the Dominican Republic (Briggs)

WASHINGTON, December 21, 1944—9 p. m.

441. Authorization requested in your telegrams 533 and 534 of December 16 is granted. Public Roads states that none of the $65,000 should be used by Dominicans to purchase additional equipment, since sufficient equipment for completion of road has long been available to them, and that expense of any such equipment should be met by Dominican Government.

STETTINIUS

839.154/12–2644

The American Ambassador in the Dominican Republic (Briggs) to the Dominican Secretary of State for Foreign Affairs (Peña Batlle)[13]

No. 227 CIUDAD TRUJILLO, December 22, 1944.

EXCELLENCY: With further reference to communication no. 15860 dated December 11, 1944 which the Embassy received via the Depart-

[13] Copy transmitted to the Department in despatch 594, December 26, from Ciudad Trujillo; received December 30.

ment of State for Foreign Affairs from the Director General of Public Works [14] and to my note no. 207 of December 14, 1944, with regard to the completion of the International Highway, I have the honor, under instructions from my Government, to submit the following:

1. The negotiations which terminated in the agreement of June 27, 1944 had as their purpose the reaching of an arrangement which would result in the completion of the Cabral–Jimaní section of the International Highway at the earliest possible moment, and which would settle all outstanding matters in connection therewith. As will be recalled, the sum of $65,000 was agreed upon between the Embassy and the appropriate Dominican authorities as sufficient to complete the road to the mutual satisfaction of the United States and Dominican Governments, it being understood that the commitments of the United States Government were fully met thereby and that the only requisite remaining to be fulfilled on the part of the United States Government was the payment for the work completed on a monthly basis. Despite this understanding the Dominican authorities in September of this year suggested that apart from the $65,000 agreed to, a revolving fund be set up by the United States Government on which the Dominican Government would draw as work progressed. On November 11 the Director General of Public Works requested the Embassy's assistance in obtaining ten trucks from the United States which would be used on the road and which would be paid for from the $65,000 mentioned above. Finally, in his communication of December 11, the Director General of Public Works requested that the amount of $65,000 be increased to approximately $117,000. All of these suggestions appear to be completely outside both the letter and the intent of the agreement of June 27, 1944. My Government is therefore unable to agree to the proposal of the Director General of Public Works that an additional amount of approximately $52,000 be made available for the completion of the road. As Your Excellency is undoubtedly aware, it was not able to agree to the other two suggestions for the same reason, namely that they were not within the terms of the agreement of June 27, 1944.

2. In view of the lengthy delays that have occurred, my Government has directed me to inquire whether the Dominican Government is prepared to proceed with the completion of the road within eight months from this date, allotting in the event that it should now consider the $65,000 to be insufficient, such additional funds of the Dominican Government as it may consider necessary or desirable.

3. Providing the Dominican Government is not prepared to accept the suggestions mentioned in paragraph no. 2, my Government would appreciate being relieved of its commitment, in order that the $65,000 which has been allotted for this purpose may be utilized elsewhere.

I believe that Your Excellency is fully aware that my Government has shown sincere and sustained interest in the completion of the Dominican section of the International Highway as a matter of mutual interest both in the period of war emergency and also in the postwar period. The failure of the Dominican authorities since June 27, 1944

[14] Manuel de Moya.

to allot the necessary equipment and proceed with the prompt completion of the road is a matter of disappointment to my Government. However, I wish to assure Your Excellency that should the Dominican Government now be in a position to complete the highway in accordance with paragraph 2 above, it may rely upon the full cooperation of the Government in fulfilling the terms of the Agreement of June 27, 1944.

Please accept [etc.] [File copy not signed]

CONVENTION BETWEEN THE UNITED STATES AND THE OTHER AMERICAN REPUBLICS CONCERNING THE INTER-AMERICAN INSTITUTE OF AGRICULTURAL SCIENCES

[By this convention the Institute, previously incorporated June 18, 1942, under the laws of the District of Columbia, was recognized as having permanent status under the terms of the Convention. For text of the Convention, opened for signature at Washington January 15, 1944, and signed on that date by the United States, see Department of State Treaty Series No. 987, or 58 Stat. (pt. 2) 1169.]

BOUNDARY DISPUTES

ECUADOR AND PERU

[For previous correspondence 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. Correspondence for 1944 regarding the Aranha formula, the Argentine's unrecognized government as a guarantor power, and the reports concerning Peruvian forces on the border is not published.]

HONDURAS AND NICARAGUA[1]

715.1715/1647

Memorandum by the Director of the Office of American Republic Affairs (Duggan) to the Secretary of State

[WASHINGTON,] May 22, 1944.

THE SECRETARY: In 1906, the King of Spain[2] handed down an arbitral decision in the boundary dispute between Honduras and Nicaragua.[3] This decision was formally accepted by Honduras but the Nicaraguan Congress refused to approve it. Since that date, the question has arisen on a number of occasions, in various forms, to affect the relations between the two countries. Several efforts have been made to find a solution—the latest being the Mediation Commission, consisting of Costa Rica, Venezuela and the United States, established in 1937[4] which, after avoiding threatened armed conflict, has been dormant in recent years.

It is of some urgency to find a definitive solution, as oil may be found in the disputed area; and the present time appears propitious because the two countries are cobelligerents, there is no public agitation of the question, both governments seem stable, and both are under obligation to us.

[1] Continued from *Foreign Relations*, 1943, vol. v, pp. 349–358.

[2] Alfonso XIII.

[3] Award of December 23, 1906; for text, see *British and Foreign State Papers*, vol. c, p. 1096.

[4] For correspondence concerning the boundary dispute and establishment of the Mediation Commission in 1937, see *Foreign Relations*, 1937, vol. v, pp. 56 ff.

Consequently, Mr. Bonsal [5] discussed the matter informally with the Presidents of Honduras and Nicaragua [6] early this month, hoping to find some method of reaching a final solution. He was somewhat encouraged by the reactions he obtained, and feels that the prospects for success would be greatly improved were you to communicate to both countries your interest in the matter before he visits them again in June. A telegram to Managua in this sense has therefore been drafted for your approval and is attached.[7] The Foreign Minister of Honduras [8] is now in the United States for medical treatment; I suggest that he be invited to Washington in the near future, if his health will permit, and that you make the same comments to him orally.

LAURENCE DUGGAN

715.1715/1643a : Telegram

The Secretary of State to the Ambassador in Nicaragua (Stewart)

WASHINGTON, May 27, 1944—5 p. m.

224. Personal for the Ambassador. I have learned with great interest of Mr. Bonsal's recent conversation with President Somoza with regard to the Honduran-Nicaraguan Boundary Dispute. Unless you perceive strong objection please seek an interview with the President prior to Mr. Bonsal's return and express to him this Government's earnest hope that some formula can be found, acceptable to both Governments, to provide a basis for a definitive settlement of this problem, as well as my own personal interest in the matter. I believe that the present time is propitious for a reexamination of the situation since public passions are not aroused and both nations are co-belligerent in the present world conflict. I hope that both countries will be disposed to discuss the problem frankly and cooperatively in a search for a solution and feel that, while sacrifices may have to be made by both sides, they will be warranted if they result in the definitive settlement of a boundary dispute of the greatest complexity and in the erection of another monument demonstrating the effectiveness of peaceful methods in international affairs, especially when applied in the spirit of Inter-American solidarity.

For your confidential information, if his health will permit, I intend to invite the Honduran Minister of Foreign Affairs, now in

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[5] Philip W. Bonsal, Deputy Director of the Office of American Republic Affairs, on missions to several of the Latin American Republics.

[6] Mr. Bonsal discussed the matter with President Tiburcio Carías Andino of Honduras on May 5, and with President Anastasio Somoza of Nicaragua on May 10, 1944.

[7] Telegram 224 to Managua, *infra*.

[8] Silverio Laínez.

the United States for medical treatment, to Washington and to discuss the boundary question with him along the above lines.

Please furnish copy hereof to Bonsal on his arrival.

HULL

715.1715/1648

Memorandum of Conversation, by the Deputy Director of the Office of American Republic Affairs (Bonsal)[9]

[MANAGUA,] June 2, 1944.

After lunch at the Presidential Palace, the President received Ambassador Stewart and myself in his private office. I explained to him the personal concern of Secretary Hull in the boundary situation, adding that both President Roosevelt and Secretary Hull are confident that neither Nicaragua nor Honduras will do anything to disturb the peace during the war emergency. I added, however, that this situation was obviously full of dangerous potentialities, and I pointed out that other boundary disputes are either in the process of settlement or have been completely settled, leaving the Honduras-Nicaragua situation as the only serious outstanding dispute between American republics.

I then outlined the respective positions of the two countries. The Honduran Government has for many years stood firmly upon the King of Spain's award of 1906, refusing to consider any variation whatever from the line laid down in that award. On the other hand, Nicaragua rejects the award and has made a variety of claims (the Río Aguan line, the Río Patuca line, and a line running north of the Segovia River, roughly parallel to the river, from Cruta to about Totecacinte). I said that these two positions were obviously irreconcilable in the absence of considerable willingness to modify and even to sacrifice long-held aspirations on the part of both countries.

President Somoza did not listen to the above without interrupting. He spoke at some length regarding the invalidity of the King of Spain's award because of the fact that the King had granted to Honduras more than Honduras had requested. He also spoke at some length of the noble and warlike character of the Nicaraguan people and of the fact that even he, with all his influence, would be unable to put across any arrangement which would seem to his people to be a sacrifice of legitimate Nicaraguan territory. He stated that the Nicaraguan position is extremely reasonable in that Nicaragua is willing not to press her claims to the Aguan and Patuca lines but does insist upon holding Cruta and certain territory north of the Segovia River.

[9] Copy transmitted to the Department in despatch 2316, June 12, from Managua; received June 20.

In the course of the conversation the President referred to a map apparently used in the Nicaraguan schools in which the Nicaraguan boundary is shown as extending from Cruta along a line which at no point touches the Segovia River—at least in its east-west course. This map shows the land north of the aforesaid line and east of the Aguan River as being "*en litigio*".

I stated as emphatically as possible that a solution of this problem was essential, not only in the interests of inter-American solidarity and of the maintenance of the principle of the settlement of disputes by peaceful means, but also because of the extremely prejudicial effect of the continuance of a dispute of this character on the development of the two countries concerned. The President had previously spoken in rather a light way about Nicaragua's willingness to have the matter settled eventually by force of arms. I said that as long as the controversy remained unsettled both governmental and private investors desiring to cooperate in the economic progress of the two countries would necessarily have to consider the boundary matter as a most unfavorable factor. The President at a later point in the conversation admitted that even a poor settlement of the case at this time would be preferable to letting it hang on.

I then described to the President the tentative formula at which the Department had arrived and concerning which I was making confidential soundings on behalf of the Secretary. This formula is the following:

1. Free access to the River Segovia for the citizens of both countries. (The President at first balked at this, thinking I was referring to the use of the river as a boundary and stating that in any case Hondurans very seldom reached the river and then only through a pass made by the River Patuca through the mountain chain to the north of the River Segovia.)
2. The drawing of a line which would take into account the geographic realities encountered in the area.
3. The line to be drawn should also take into account the realities of the situation arising from the fact that nearly 40 years have now elapsed since the King of Spain handed down his award and during that interval the boundary line has not been fixed on the ground.
4. The drawing of the line could be turned over to a technical international body made up, preferably, of engineers and geographers rather than lawyers. I added that the technical body would be given fairly ample terms of reference but that I believed it would be necessary in general to describe its functions as being the execution of the *Laudo*,[10] in order to avoid adverse repercussions in Honduras.

The President did not at first comment directly on this formula. He was most interested to learn exactly what boundary I thought might be the upshot thereof. In the course of a very general dis-

[10] The 1906 Award of the King of Spain.

cussion of this matter he indicated a willingness to recede somewhat from the line from Cruta north of the Segovia River and indicated on the map a line from Cruta to the river at a point where navigation by launch appears to cease (this point may be about where the river enters the flat Atlantic Coast area).

The President was much interested in my description of the recent settlement between Costa Rica and Panamá, where the two countries, while "executing" an award handed down by Chief Justice White about 1914,[11] made reciprocal territorial concessions in a wild and apparently valueless portion of the boundary territory. He suggested that the authority to recommend such reciprocal concessions be included in the powers of the technical group suggested above. The President was most emphatic as to the need for Nicaragua's retaining Cruta and a certain amount of land between Cruta and the river.

In reply to a direct question, the President asked me to assure the Secretary of his desire to cooperate and of his willingness to make the utmost sacrifice consistent with the political feeling in Nicaragua regarding this question. He asked if it would be possible to obtain for him a written confidential proposal of some kind which he could discuss with his advisers. He also said that if I were to go to President Carías and tell him that the United States Government had brought pressure to bear on the Nicaraguan Government to force the latter to relinquish its claims to the Aguan and the Patuca, he, Somoza, felt sure that the Hondurans would be delighted and that a settlement could probably be reached. I ventured to differ with the President on this point, and I told him that Honduran feeling was entirely tied up with the *Laudo*, which prescribes the river bed [12] as the boundary.

Our conversation ended with mutual protestations of good will and with emphasis by both sides on the need for moving this matter forward. I believe President Somoza to be sincere in his repeated statements as to the desirability of reaching a settlement now.

PHILIP W. BONSAL

715.1715/7–1944

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

No. 6226 CARACAS, July 19, 1944.
[Received July 22.]

SIR: I have the honor to acknowledge receipt of a copy of a report dated July 3, 1944 [13] of conversations which Mr. Philip W. Bonsal,

[11] For text of the Award of September 12, 1914, by Chief Justice Edward D. White, see *Foreign Relations*, 1914, p. 1000; for correspondence concerning this boundary dispute, see *ibid.*, pp. 993 ff.
[12] Segovia (Wanks or Coco) River.
[13] Not printed.

Deputy Director of the Office of American Republic Affairs, and Mr. John M. Cabot, Acting Chief of the Division of Caribbean and Central American Affairs, had with Dr. Silverio Laínez, Honduran Minister of Foreign Relations, at Rochester, Minnesota, June 26–28, 1944.

On the third page of this report the "three most interesting points" made by Dr. Laínez are summarized in numbered paragraphs. I quote paragraph 3: "He indicated that the Honduran Government had withdrawn from the mediation because it had gained the impression that Dr. Corrigan's activities [14] tended to undermine the King's Award. Mr. Bonsal pointed out that Dr. Corrigan no longer had anything to do with the mediation".

It is most surprising to me that Mr. Bonsal did not at once take steps to clarify the position of our Government and to correct the erroneous impressions in the mind of Dr. Laínez: (*a*) that the Honduran Government has withdrawn from the mediation because, (*b*) it had gained the impression that Dr. Corrigan's activities tended to undermine the King's Award.

The position of the United States Government, as well as of the Governments of Venezuela and Costa Rica, adopted in harmony and after consultation with them, is set forth in a note from the Secretary of State to the Honduran Minister of Foreign Relations under date of February 24, 1943.[15] The three Governments agreed that they could not accept the unilateral action of Honduras in summarily terminating the mediation and in carefully worded notes severally conveyed this decision to the Honduran Government. Beginning with the last paragraph on page 4, the United States note says:

Notwithstanding the decision of the Government of Honduras reiterated in Your Excellency's note, the mediating Governments have not adopted immediately the official attitude that their mission is ended, and have not communicated with the Government of Nicaragua, being motivated in this by their keen desire to find an appropriate formula to forestall the feeling of uneasiness which that unilateral decision would inevitably cause in all the nations of the American continent and the repercussions that might result in the Republic of Nicaragua.

Regarding (*b*) *supra*, the note refutes the attitude of suspicion taken by the Honduran Government. Beginning with the last paragraph on page 2, it states:

The preoccupation is emphasized in Your Excellency's note that the Mediation Commission has diverged, in its delicate functions, from the juridical position assumed by the Honduran Government with respect

[14] Ambassador Frank P. Corrigan was designated in 1937 by President Roosevelt as his Special Representative on the Mediation Commission.

[15] *Foreign Relations*, 1943, vol. v, p. 349.

to the Award of the King of Spain. To clarify this point, it must be explained that in the instructions of the mediating Governments and the minutes and documents of the Mediation Commission, no basis appears to exist for this preoccupation, in as much as the juridical position assumed by the Government of Honduras with regard to the Award of the King of Spain has always been taken into consideration in connection with possible measures of conciliation which might be suggested. Any proposal of conciliation would have to be previously discussed with the delegates of Honduras and Nicaragua named for the purpose of arriving at a formula acceptable to both Governments, as provided in the last part of the Agreement of Mediation,[16] and in conformity with the procedure of individual consultations with each of them, which was established as the norm by the Mediation Commission when it so happily arrived at the Pact of Mutual Offers of December 10, 1937.[17] The Mediating Governments and their representatives on the Commission would under no circumstances adopt a procedure distinct from the above.

(Enclosure to Instruction No. 1757, March 8, 1943.[18])

Instead of making these points clear to Dr. Laínez, Mr. Bonsal's remark "that Dr. Corrigan no longer had anything to do with the mediation" seems tacitly to accept the correctness of the Honduran charge as interpreted by Dr. Laínez. It is hardly necessary for me to say to the Department that there could be no valid reason for the Honduran Government arriving at such an impression. All actions and proceedings that were taken by the Mediation Commission during the time that I was a member of it were carried out in complete unanimity by the three members of the Commission—Dr. José Santiago Rodriguez, Venezuelan representative; Dr. Tobías Zúniga Montúfar, the Costa Rican representative; and myself, representing the United States Government. No member of the Commission to my knowledge ever took any personal or individual initiative.

It is to be supposed that the activities of Mr. Bonsal reported in this communication and in an earlier one reporting conversations with officials of the Nicaraguan Government, transmitted by despatch from the American Embassy at Managua,[19] were carried out under instructions from the Department, and it is, therefore, not my purpose to comment on the wisdom of such action. I feel, however, that my familiarity with the problem places on me the responsibility of calling the Department's attention to possible complications that might result from action independent of the Mediation Commission on the part of officials of the Department of State unless the other mediating govern-

[16] Reference is to the Department's offer of Good Offices, October 21, 1937, and the assenting replies of Honduras and Nicaragua, October 22. For the exchange of notes, see *Foreign Relations*, 1937, vol. v, pp. 92–96.

[17] Signed at San José; for text, see *ibid.*, p. 112.

[18] Instruction 1757 to Caracas, not printed.

[19] This is possibly a reference to Mr. Bonsal's conversation with President Somoza; see *supra*.

ments had been apprised of the proposed step and were in full accord. The responsibility for negotiation of this delicate and difficult problem was placed in the hands of a Mediation Commission composed of plenipotentiaries of three sovereign states, to wit: Venezuela, Costa Rica and the United States. This Commission is still in being with its seat in San José, Costa Rica, where the Chairman of the Commission, Dr. Tobías Zúniga Montúfar, resides and where it still has funds made available by the three member governments and extensive archives bearing on the problem which contain, along with a voluminous correspondence between the five governments involved, alternative proposals for the settlement of the question which have never been formally proposed to the contending governments. It is my opinion that a settlement of this difficult question is more likely to be achieved by working through the Mediation Commission which, having representatives from North, Central and South America, bears the moral authority of the entire American continent. The latest recommendation made by the Commission was that a meeting of the Commission members without the presence of the delegates from the disputant countries be held at a point outside Central America (preferably at Caracas) for the purpose of determining the next step in the mediation. If the time seems appropriate this recommendation might now be followed.

The present American member of the Mediation Commission is Mr. Edwin H. [*C.*] Wilson who is now in the Department.[20] However, it would appear that the Venezuelan Government has never been officially informed of any change in the personnel of the Commission for even this year the Venezuelan Foreign Minister, Dr. Parra-Pérez, has indicated to me that as far as Venezuela is concerned the American representation still falls on me.

Respectfully yours, FRANK P. CORRIGAN

715.1715/7–1944

The Chief of the Division of Caribbean and Central American Affairs (Cabot) to the Ambassador in Venezuela (Corrigan)

WASHINGTON, July 27, 1944.

DEAR DR. CORRIGAN: I read with great interest your despatch no. 6226 of July 19, 1944. I am afraid that I am personally somewhat responsible for the passage of which you complain. The conversation lasted two hours or more and you can read my memo in two minutes. In the passage to which you refer Mr. Bonsal did make it perfectly

[20] Director, Office of Special Political Affairs.

clear in the context that he did not agree with Dr. Laínez. Needless to say, Dr. Laínez maintained his position, so the only argument I mentioned in my memorandum was the more convincing one from Dr. Laínez's viewpoint that even if he were right regarding your attitude, it still wasn't a valid argument for not negotiating now.

With regard to the last page of your despatch, Mr. Bonsal carried out his activities after we had given long and careful consideration to this entire matter. We felt that it would be advisable to clear this dispute up before the peace negotiations, if possible. We also felt that the chances of getting something done were perhaps more favorable while the governments involved were reasonably stable, while public opinion was calm, and while the two countries were co-belligerents. Mr. Bonsal spoke to the Venezuelan and Costa Rican Ambassadors before undertaking to sound out the Hondurans and Nicaraguans. In the course of his trip, he took the opportunity to speak to both President Carías and President Somoza. Although his talks were moderately successful, our plans have been somewhat knocked awry by political disturbances in Central America. I think we may again move ahead in the near future if things calm down.

In any more formal moves which we may make, we shall of course bear the mediation situation in mind. Various possibilities have suggested themselves to us in this connection. If, as a result of strictly informal talks it is possible to get the two countries to agree, we may suggest that the formal proposal emanate from the Mediation Commission. A possible alternative would be for the three mediating Presidents jointly to appeal for a settlement or perhaps we will ask the other two mediating countries to permit us to move unilaterally.

You may not know that the Hondurans have never replied to our note suggesting that this matter be put on ice for the duration.[21] Under these circumstances, we did not feel that we were in any way bound by our suggestion. The Hondurans have not thrown this in our faces and the Nicaraguans of course have no official knowledge of it.

I am putting a copy of this letter in the official record in order that it will be quite clear that we have heeded your comments. I should of course not want it to appear even by implication that we had accepted Dr. Laínez's views about your activities or that we had gone off on an ill-considered tangent.

Very truly yours, J[OHN] M. C[ABOT]

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[21] Note to the Honduran Minister for Foreign Affairs, February 24, 1943, *Foreign Relations*, 1943, vol. v. p. 349.

715.1715/9–2744 : Telegram

The Secretary of State to the Ambassador in Nicaragua (Stewart) [22]

WASHINGTON, September 27, 1944—4 p. m.

402. At an early appropriate occasion, please inform President Somoza that after his visit to Nicaragua this spring, Mr. Philip W. Bonsal reported to me concerning his conversations with the President with regard to the boundary with Honduras. Please express to President Somoza my gratification both at the courtesies extended to Mr. Bonsal and at his receptive attitude towards Mr. Bonsal's informal investigation of the possibility of finding some solution to this long-standing problem.

I had hoped that as a result of Mr. Bonsal's *démarche*, the two Presidents might initiate direct discussions in search of a solution; but there has so far been no indication of such a development.

You should point out to President Somoza once more that this is the only important remaining boundary at issue between nations of this hemisphere and should emphasize this Government's interest and my own earnest hope that some definitive settlement may soon be reached, within the framework of hemisphere solidarity and inter-American principles of the adjustment of controversies by peaceful means. In this connection, you may make appropriate reference to the final demarcation of the border between Costa Rica and Panamá, the occasion being celebrated by a meeting of the two Presidents at the frontier on September 18. (See radio bulletin no. 225 of September 18, 1944).

Please also inform President Somoza that President Roosevelt is very hopeful that a settlement of this problem can be reached immediately. He has been turning over in his mind various possible methods of approach to the problem, and is considering an appeal to both President Somoza and President Carías to reach an early settlement within the framework of such general principles as would assure an equitable solution acceptable to both countries. It is his thought that if such an appeal were made, it would put the question on such a high level as to avoid its becoming involved in domestic politics. The possibility of this undesirable development would appear to be diminished also by the fact that the opposition leaders in Nicaragua and Honduras have emphasized their devotion both to American solidarity and to the principles for which the American republics are making so many war sacrifices.

In conclusion please emphasize my profound conviction that if this controversy can not be solved by direct negotiation, a settlement is possible only if the two Governments, mutually desirous of a solution,

[22] A similar telegram was sent to Tegucigalpa as No. 231, September 27, 5 p.m.

will take whatever suggestions are made, and with them as a basis, agree upon a final settlement; and that by effectuating a settlement President Somoza would win the signal credit and honor, in the national as well as in the international sphere, to which the adjustment of such a difficult problem would justly entitle him.

A similar telegram is being sent to Tegucigalpa.

For your strictly confidential information, I had intended sending these telegrams early in July, but with the unsettled political conditions in both countries at that time, it seemed advisable to hold this matter in suspense until conditions were somewhat more propitious.

HULL

715.1715/10–1244 : Airgram

The Ambassador in Nicaragua (Stewart) to the Secretary of State

MANAGUA, October 12, 1944—4 p. m.
[Received October 18—5 p. m.]

A–428. In compliance with the Department's telegraphic instruction no. 402 of September 27, 4 p. m., I talked with President Somoza concerning the boundary situation, and he repeated what he had said to Bonsal and me last June (see despatch no. 2316 of June 12, 1944 [23]). He stated that he and Carías were on friendly terms at present and thought that this was a very good time to endeavor to settle question. He said that he would be willing to talk with Carías in Tegucigalpa, but remarked that some "spade work" would have to be done first in persuading him that if Nicaragua would agree to relinquish its claims to the Aguan and the Patuca, the crest of the mountain line west from Cruta would be an advantageous settlement for Honduras. He said that the best solution would be the creation of a Central American Union.

I expect to pursue the matter further.

STEWART

715.1715/10–1244

The Director of the Office of American Republic Affairs (Armour) to the Ambassador in Nicaragua (Stewart)

WASHINGTON, October 19, 1944.

DEAR MR. AMBASSADOR: We have been very much interested and encouraged to receive your airgram A–428 of October 12, 1944, 4 p. m., and to know that President Somoza considers the atmosphere propitious to an attempt to settle the boundary dispute. We have

[23] Not printed, but see memorandum of conversation, June 2, and footnote 9, p. 215.

not had any reply from our telegram to Honduras on this subject,[24] but hope that the same favorable disposition will exist there.

In your further conversations with President Somoza on this subject, you might wish to point out to him that it would of course be completely impossible to reach a settlement on the basis set forth in your airgram, following the divide north of the Cocos River. This is the position adopted by the Nicaraguan Congress a number of years ago which was wholly unsatisfactory to Honduras. It is our hope that this is simply part of President Somoza's tactics—to adopt the last position of his Government, even though it was only of the legislative branch and was less in accordance with Honduras' desires than the terms arranged by the executive branch. It is quite proper of him to adopt this position in the initial stages and we hope that it is simply a bargaining position, for obviously no settlement could be reached with Honduras along these lines.

In prevision of the possibility that President Somoza might indeed go to Tegucigalpa to have a talk with President Carías on this subject, we should like to emphasize that such a meeting should not be for the purpose of discussing a solution of the boundary, at least ostensibly. It would be much better to give some other reason to the public. For example, the two Presidents might meet at the point where the Inter-American Highway crosses their frontier in celebration of the reopening of traffic at the end of the rainy season, or, half a dozen pretexts might easily be found.

We are all deeply interested in any favorable developments which might conduce to a settlement of this dispute and wish you every success in your further conversations on the subject with President Somoza.

Very sincerely yours, NORMAN ARMOUR

715.1715/11–1844

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

No. 1485 TEGUCIGALPA, November 18, 1944.
[Received November 25.]

SIR: I have the honor to refer to your confidential telegram No. 231 of September 27, 1944, 5 p. m.[25] and to state that an appropriate occasion has not presented itself for further conversations with President Carías respecting the Honduras–Nicaragua boundary. Since the receipt of the telegram under reference I have also received a copy of the airgram which Ambassador Stewart sent to the Department under date of October 12, 1944, 4 p. m., A–428.

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[24] Telegram 231, September 27, 5 p. m.; see footnote 22, p. 222.
[25] See footnote 22, p. 222.

It is true that the relations between Carías and Somoza appear to be friendly at the present time. However, Mr. Bonsal's approach to this matter on the two occasions when he talked with President Carías last May and June was a proposal to execute the *laudo* of the King of Spain, whereas the conversation which President Somoza had with Ambassador Stewart appears to contemplate a definite ceding by Honduras of a part of the area given the latter under the award.

Nevertheless, the subject would have been taken up again with President Carías before now except for the unsettled political conditions which have been reflected in the various telegrams and despatches from this Embassy to the Department, as well as those received from neighboring countries. In addition, I was informed confidentially about three weeks ago that President Carías had had a severe heart attack the previous night. This information came through Dr. Juan M. Fiallos, the President's personal physician. So far as I am informed, he has had no recurrence of this ailment.

These circumstances seemed to suggest that the "appropriate occasion" mentioned in the Department's telegram under reference has not arisen.

As the Department knows, these unsettled political conditions still exist. I will take the earliest possible occasion after there has been a lull to again broach the boundary settlement. To do so at this moment, especially if there should be a leak to the public about the matter, would possibly intensify local political agitation. While the question does not appear to have been such a delicate one on the Nicaraguan side of the line, where (according to the Minister of Nicaragua to Honduras and other authorities) it has only excited public interest when whipped up by artificial means, it is a peculiarly touchy subject among all classes of Hondurans. This is the one question on which the Reds and Blues [26] are united. The school children have had it drilled into them that this effort to take away from Honduras the fruits of its victory in the arbitral award of the King of Spain is one of the great injustices which have been attempted against the country. Public thought has been so inflamed on this subject over a period of years that any hint that a sitting president was considering agreeing to a modification of Honduras' territorial claims would bring an instant political upheaval.

While it has no direct connection with the Honduras–Nicaragua settlement, only recently an attaché of the Foreign Office brought to my attention a newspaper clipping, under a Quito date line, stating that ex-President Carlos Arroyo del Rio, of Ecuador, and others concerned, had been subjected to sanctions by the Ecuadoran Assembly

[26] Liberals and Conservatives.

because of the Ecuador–Peru boundary settlement.[27] The Foreign Office was obviously impressed that penalties in the form of confiscation of 80 percent of the property of those Ecuadorans who made this settlement had been meted out. This is no valid argument against a dispute involving two other countries being pressed for early consideration, but it indicates the extreme caution with which the matter should be approached because of its widespread political implications.

This latter phase is one of the considerations that makes me feel as a matter of sound judgment and expediency that I should ask the Department's indulgence in making immediate representation to President Carías. The matter will again be presented at the earliest feasible moment. If the Department believes that the urgency of the matter outweighs the other considerations stated, I will present the matter without further delay, although I feel the prospects for a successful negotiation will be enhanced by waiting until the present internal and external conditions have improved.

Respectfully yours, JOHN D. ERWIN

715.1715/11–2844

The Ambassador in Nicaragua (Stewart) to the Secretary of State

No. 2711 MANAGUA, November 28, 1944.
[Received December 5.]

SIR: I have the honor to refer to the Department's telegram No. 402, of September 27, 4 p. m., 1933 [*1944*], concerning its desire to further a settlement of the boundary between Nicaragua and Honduras; to my airgram A–428, dated October 12, 4 p. m., 1944, to despatch No. 1485, dated November 18, 1944, from Tegucigalpa; and to report further on this subject as follows:

I have not again discussed the possibilities of a boundary settlement with President Somoza since the conversation reported in the airgram under reference. For the past few weeks, the President has been on Lake Nicaragua, near Granada, endeavoring to raise the lake steamer, *General Somoza*, which was rammed and sunk in 1943. Prior to the President's departure for Lake Nicaragua, the confused political situation in Central America and the activities of his enemies in San Salvador, Mexico City, and San José, who almost overtly sought means and an opportunity to overthrow him, did not furnish a tranquil background for a sober discussion of the boundary.

Meanwhile, moreover, the popularity and prestige of the President in Nicaragua, if not waning, is hardly greater than for some months

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[27] See bracketed note, p. 213.

past. While the opposition of his regime at home is unorganized and without very astute leadership, the President is ridiculed and berated at every opportunity. Although he, himself, seems to feel surer of his position now than several weeks ago, there are continued indications—such as his recent rebuff to the Socialist Party of Nicaragua, which may alienate a considerable sector of his labor support—which do not enhance that conviction.

After careful consideration, I have reached the conclusion that President Somoza's presently weakened position and prestige could not—without danger—support a cession of "Nicaraguan" territory between the Coco River and the ridge west of Cruta to Honduras. In telling me in October that he thought it a propitious time to discuss the boundary question, I am convinced that his mention of the ridge as the boundary was not a talking point but rather a statement of the minimum terms upon which he was willing to discuss the question with President Carías. The fact that he maintains posts of the Nicaraguan Guard and—I am told—a few schools north of the Coco is, moreover, a token of what I believe to be his fundamental view that this territory is Nicaraguan.

When the President returns to Managua and as soon as the local and Central American situation seems to permit, I shall again speak to President Somoza about this question and will, of course, promptly report the results. I am not too optimistic, as may be noted above, that I shall meet with any success. Meanwhile, I trust that I may still count upon the Department's condoning the delay which has occurred in pursuing this matter.

Respectfully yours, JAMES B. STEWART

ARGENTINA

EFFORTS BY THE UNITED STATES TO OBTAIN THE COOPERATION OF THE RAMÍREZ GOVERNMENT IN COMBATTING AXIS ACTIVITIES

835.50/1–1144 : Telegram

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

WASHINGTON, January 11, 1944—9 p. m.

58. Personal for the Ambassador. The President and I have given careful consideration to the suggestions contained in your telegram no. 60 of January 8, 1 p. m.,[1] and other messages concerning the Argentine situation. We now contemplate taking the following steps as soon as possible, preferably within the next week:

(1) I intend to issue a statement pointing out emphatically that the Argentine Government has not only failed to live up to any of her inter-American commitments but that all the other American Republics have done so and, had they pursued the same course which has allowed Argentina to enrich herself, all of us would now be enslaved by the Nazis. Moreover since the June Revolution Argentina has become a refuge and an asylum for Nazi agents and officials of the Argentine Government have even gone so far as to encourage the overthrow of a pro-United Nations Government.[2] I express my distress at the situation and indicate the feeling of all of us interested in the cause of the United Nations that the Bolivian situation constitutes a danger signal. In closing I state that because of the gravity of the situation you are being directed to return for consultation.

(2) Simultaneously an executive order will be released including Argentina among the countries subject to freezing by the Treasury.

(3) Studies are being initiated immediately with the British Embassy and the Combined Boards [2a] here to ascertain what purchases if any of Argentine products may be curtailed or foregone.

(4) We believe that the British Government may find it possible to issue a statement simultaneously and along parallel lines to ours and likewise recall the British Ambassador for consultation.

(5) Aranha [3] is being informed in detail of our proposed action and it is hoped that Brazil will cooperate.

(6) The American Republics will be informed of our plans prior to their initiation.

Steps 1 and 2 are to be carried out independently of the studies mentioned in provision 3.

[1] Not printed. The Ambassador's telegram was concerned largely with what commodities could be effectively embargoed from Argentina (835.50/133).

[2] For correspondence concerning the overthrow of the Bolivian Government, see pp. 427 ff.

[2a] For a list of the Combined Boards on which the United States was represented, see Department of State *Bulletin*, January 16, 1943, p. 67.

[3] Oswaldo Aranha, Brazilian Minister for Foreign Affairs.

I would appreciate it if you would promptly inform me as to what you think the results may be of the contemplated action both as regards the Argentine Government and those people who are friendly to us.

If you have suggestions as to the timing of these steps I would appreciate them and whether they might complicate any possible governmental reorganizations such as mentioned in your telegram no. 28, January 5, 4 p. m.[4]

HULL

835.50/1–1244 : Telegram

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

BUENOS AIRES, January 12, 1944—9 p. m.
[Received January 13—3 : 39 a. m.]

99. Personal for the Secretary. I submit the following comments on your personal telegram 58, January 11, 9 p. m.

1. I feel definite action against Argentina in form of economic sanctions should be determined upon before proceeding to a statement such as that envisaged in paragraph 1 of your telegram. By action I do not mean freezing alone as this would not be sufficient but should include, a complete embargo by U. S. and the British on all exports to Argentina, or at least embargo on all articles essential to their economy to the end that they will really feel the effects. The inclusion of the British is essential. While such action involves risk of retaliation by this Government I do not feel they would dare to prevent for any appreciable period the export of meat, wheat, vegetable oils, etc. required by U. S. and the British as the economic impact on Argentine economy would be disastrous. It is possible, however, that they might attempt a bluff on major exports and might actually embargo exports of products not vital to Argentine economy such as minerals.

2. Once such action as we are prepared to take has been definitely decided upon and is ready to be put into effect then I feel that a strong indictment of Argentine Government would have a good effect. But here again the British should accompany us either in a joint or simultaneous statement including the announcement of the withdrawal of Ambassadors.

3. As to the form of statement I am afraid that if it is predicted [*predicated?*] upon the failure of Argentina to comply with its Rio

[4] Not printed.

commitments[5] it would be open to three avenues of attack. First, since Rio our Government has been at pains to point out that no steps taken by us should be interpreted as pressure to secure compliance or as punitive for Argentina's not having carried out its commitments. Second, with the exception of Resolution I[6] the Government would maintain as they have in the past that the many decrees issued constitute effective implementation and the mere reading of such decrees would tend to convince those who do not know the facts. Third, this Government would probably welcome the opportunity to shift the discussion to the old controversy as to whether the Rio resolutions were really commitments or merely recommendations which has been their thesis. Is not the real basis for an indictment of the Argentine Government that they are a totalitarian government attempting to extend their system of government to other American Republics and that they have actually succeeded in the case of Bolivia? Would you not, therefore, feel that perhaps something along the following lines would be more effective both in Argentina and abroad particularly in the other American Republics? Such a statement might have the added advantage of enabling the British to participate in the declaration.

["]Peace will be written on basis of a post war world comprised of community of nations having common ideals and objectives. There will be no place in this community of nations for totalitarianism in any form. Those countries having totalitarian types of government will not be accepted in the post war community. Recent events in Argentina would seem to indicate that people of that country will be deprived of rights and benefits accruing from membership in post war community of nations. It is felt that Argentine people are entitled to know the path along which their Government is leading them. All indications point to an increasing totalitarian dictatorship in Argentina, the ideals of which are contrary to those principles for which the United Nations are fighting.["]

Here might follow references to Bolivia and the danger to continental security and the cause of the United Nations inherent in the situation. The statement could then close with the reference to the gravity of the situation and the fact that respective ambassadors are being directed to return for consultation.

4. It is difficult to estimate the effect here of any statement or action. It is problematical whether any statement would be allowed publication locally. Even if permitted it might be distorted or presented in a form calculated to indicate pressure and infringement of Argentine

[5] For correspondence on the Third Meeting of the Foreign Ministers of the American Republics held at Rio de Janeiro, January 15–23, 1942, see *Foreign Relations*, 1942, vol. v, pp. 6 ff.; for texts of the resolutions of the meeting, see Department of State *Bulletin*, February 7, 1942, pp. 117 ff.

[6] This resolution has to do with the breaking of diplomatic relations by the American Republics with the Axis.

sovereignty. I feel, however, that our friends would understand it and be heartened by it; in fact I have already received indications from certain quarters that some action by us and the British is anxiously awaited. I feel that a statement alone even coupled with general freezing would not result in rallying the opposition forces to concerted action against the government. Coupled with action along lines suggested, however, it might have the desired effect although here again this would largely depend on the extent to which Argentine economy was effectively hurt. There would probably be reaction in certain elements along lines of "my country right or wrong" but here again such risks are inherent in any strong policy particularly in a country such as Argentina.

5. I do not feel that opposition forces are sufficiently advanced in their plans to be affected by steps envisaged (see Embassy's telegram 85, January 11, 9 p. m.[7]).

ARMOUR

835.00/2273 : Telegram

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

BUENOS AIRES, January 24, 1944—3 p. m.
[Received 4:15 p. m.]

201. Confirming my conversation with Duggan,[8] Gilbert [9] called me urgently to Foreign Office at 10:30 this morning and told me he had a very important announcement to make. He said investigations leading out of the Hellmuth case had revealed a serious Nazi espionage ring in Argentina.[10] As a result of this definite proof that the Germans had broken their word not to engage in such activities and had abused Argentine hospitality his Government had now reached the definite decision to break relations with Germany not later than next Saturday noon. The intervening time was required (1) to prepare the public through the press, (2) to enable them to advise their shipping to seek safe ports and (3) if possible they hoped our Government and the British would give a navicert for the tanker *Buenos Aires* as his Government felt this ship would be of great use in the American service.

The Minister added that if their investigations revealed Japan's participation in the activities mentioned they would also break relations with Japan.

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[7] Not printed.
[8] Laurence Duggan, Director of the Office of American Republic Affairs.
[9] Gen. Alberto Gilbert, Argentine Minister for Foreign Affairs.
[10] See the statement by the British Secretary of State for Foreign Affairs, Anthony Eden, quoted in Department's circular telegram of January 31, 6 p. m., p. 379. For the text of an address broadcast by President Ramirez on January 26, see p. 377.

He said the above however was on condition that no action would be taken in meantime by our Government which might give rise to interpretation that Argentine Government's action was taken under pressure.

I told the Minister I understood my Government was planning to make declaration today to the effect that we would not recognize the Bolivian Junta and that while I did not have full details I thought this declaration would include references to Argentina as having been the focal point from which activities not only against Bolivia but other countries had been conducted. He replied, "Surely there is time to stop this in view of what I have just told you." I said I would of course immediately inform my Government of his important statement but could hold out no assurances as to whether this would in any way affect the action planned for today. I reminded the Minister that as long ago as July 6 [11] President Ramírez had given me his guarantee that relations with the Axis would be broken before August 15. He said he was aware of this but he could assure me that the communication he had just made was with the full authority of the President and he gave me his word of honor that the action would be taken not later than Saturday, January 29.

I then told the Minister that he must realize our Government was aware of the participation of the Nationalists and others in the intrigues being carried on in the neighboring countries and that a mere break in relations with Germany would mean little if not accompanied by stern action against those elements who had been openly collaborating with our enemies. The Minister insisted that of course the action taken by the Government in breaking relations would *ipso facto* carry with it stern measures against all Axis collaborationists and others guilty of subversive activities. The Minister also stated that arrangements had been made to deal promptly with the case of the six Axis spies mentioned in Embassy's telegram 1849, August 12, 7 p.m.[12]

ARMOUR

740.0011 European War 1939/32814b: Circular telegram

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

WASHINGTON, January 24, 1944—2 p. m.

You should immediately inform the Foreign Minister of the following:

[11] See telegram 1506, July 6, 1943, from Buenos Aires, *Foreign Relations*, 1943, vol. v, p. 429.

[12] Not printed; it reported that the Federal attorney had finished the cases of the six spies, recommending prison sentences of from 1 to 3 years (862.2021/2482).

The Argentine Government this morning has given this Government definite assurance that they will break off diplomatic relations with Germany before noon January 29.

In view of this assurance all reference concerning Argentina is being omitted from the statement which I am issuing today concerning the non-recognition of Bolivia.[13]

Ambassador Armour is being requested to remain in Buenos Aires to await developments and has been requested to inform the Argentine Government that this Government expects them to comply in full with all their commitments taken at the Rio Conference.

The Executive Order freezing Argentine assets in this country is being held up.

Please say that we would be glad to have the Foreign Minister's reaction and suggestions in the premises.

HULL

835.00/2275 : Telegram

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

BUENOS AIRES, January 24, 1944—7 p. m.
[Received 9 : 02 p. m.]

205. I saw Gilbert this afternoon and told him that in view of Government's decision to break relations with Axis not later than noon January 29, my Government had decided to defer certain action planned for today and confine itself to a statement purport of which would be nonrecognition of Bolivian Junta. He seemed greatly relieved. At the same time I warned him that a mere break in relations if not accompanied by stern action against Argentine nationalists and others who have been collaborating with Axis and carrying on subversive activities[14] aimed at governments of neighboring countries would not be sufficient.

Gilbert insisted that the Government intended to proceed vigorously against all these elements. That not only would prompt action be taken against those implicated in the Hellmuth case but he expected to have "our" six Axis spies sentenced within the next 2 weeks.

Gilbert said he hoped we would have the news of their decision to break with Germany and Japan (he now includes Japan) kept strictly confidential as his Government wished the announcement to "fall like a bombshell". I said he must understand that the other American Governments had been advised in a general way of the course our Government had proposed to follow and would undoubtedly be sur-

[13] For text of this statement, see Department of State *Bulletin*, January 29, 1944, p. 132.

[14] For correspondence on United States concern over espionage activities in Argentina, see p. 377 ff.

prised at the last minute change. For this reason I urged him to advance the date. He said they might act as early as next Wednesday. He intended to call in the *Prensa* and *Nación* and enlist their cooperation in preparing public apparently through articles playing up the Axis spy ring, et cetera. Gilbert said that their investigations had now proved that we were right and they were wrong in our insistence that Nazi espionage was going on here and they intended "chivalrously" to admit this in presentation of the case. I repeated that serious as this phase of the matter was the plotting by their own nationalists was equally serious and must be stopped if they hoped to convince us of their intention seriously to cooperate in hemispheric defense. He said he was willing to be judged by their action in the immediate future.

The British Ambassador [15] saw Gilbert at 2 o'clock today. Kelly reports that Gilbert gave him identical assurances as those given me this morning, the only difference being that he added Japan which Gilbert confirmed to me in my talk this afternoon.

ARMOUR

740.0011 European War 1939/32831 : Telegram

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

BUENOS AIRES, January 25, 1944—4 p. m.
[Received 6:47 p. m.]

207. I saw the Foreign Minister this morning for a moment at public funeral for earthquake victims [16] and he told me that break in relations has now been set for Thursday morning 9 o'clock.

Late last night Santos Muñoz, Legal Adviser of Foreign Office, called on me at my house and made some interesting revelations. He said thus far President Ramírez, Gilbert and González [17] are only members of Government aware of Ramírez's decision to break. To my expression of surprise that Gilbert should have been so categorical in his statements to me and the British Ambassador, Muñoz assured me that Ramírez and Gilbert have every intention of carrying out their promise and will succeed but there undoubtedly will be a stiff fight. He said it would be of assistance to the Minister if he could have more definite information on action our Government had proposed to take had there not been last minute changes. Muñoz made it clear that they already had a pretty good idea from information received from other American capitals. I told him of the three measures planned for yesterday and allowed him to remain under impression, which

[15] Sir David Kelly, British Ambassador in Argentina.
[16] The earthquake of January 15, 1944, destroyed much of the city of San Juan and caused great loss of life.
[17] Col. Enrique P. González, Chief of the President's Secretariat and opponent of Col. Juan Domingo Perón, Director of the Department of Labor.

he clearly had, that this would merely have been "a beginning." I also did nothing to correct his impression that action along similar lines had been planned by British. I told Muñoz while I was willing Minister should have this information for background I doubted wisdom of his using it, as Muñoz indicated he might with his colleagues in Cabinet, as it seemed to me this would be doing exactly what Minister himself had wished to avoid, namely, give the impression the Government was taking its action under pressure rather than, as I hoped was the case, because they were now convinced espionage activities were being conducted by Axis on a wide scale.

Muñoz was not clear whether Ramírez would attempt to secure approval of Cabinet first or present them with a *fait accompli.* He was inclined to former view and thought Cabinet meeting might be held this afternoon or tomorrow. Gilbert's information of this morning however may indicate that President has decided to act first and fight it out later.

Muñoz told me this morning that certain American Governments have apparently been advised of Government's intention to break and attributes this to necessity of our Government having had to make some explanation of our last minute change. He said Chilean Ambassador [18] had already been informed but Muñoz indicated it was not Gilbert's intention to take him and the other American representatives here into his confidence for the moment.

Unfortunately *New York Herald Tribune* correspondent wired story of break yesterday and UP [19] here has already been queried on it. I have not learned correspondent's source but have of course refused all comment and hope Department will proceed very carefully as I am sure you will agree anything in nature of official confirmation at our end at this moment might prejudice proposed action.

British Ambassador has apparently received information from Halifax [20] that we are proposing to present communication to Argentine Government apparently along lines mentioned by Duggan in our telephone conversation yesterday, that break in relations will not be enough unless accompanied by stern action against nationalists and intriguing elements. As you know I am heartily in agreement with this point of view and have stressed it in both my talks with Gilbert who assured me that his Government had every intention of proceeding vigorously against these elements. I do however agree with British Ambassador that in view of my having already stressed this it would be better to wait until Government has acted in breaking relations before making formal representations along these lines.

ARMOUR

[18] Conrado Ríos Gallardo.
[19] United Press.
[20] Viscount Halifax, British Ambassador in the United States.

740.35112A/652

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

No. 13638 BUENOS AIRES, January 25, 1944.
[Received February 3.]

SIR: Referring to the Embassy's despatches Nos. 12448, October 19, 1943, 12530, October 26, 1943, 10263, May 24, 1943, 12686, November 6, 1943, 13090, December 7, 1943, and 13257, December 17, 1943,[21] I have the honor to report that the present Argentine Government is increasingly assisting local Nazi firms through cloaking operations on their behalf. When it is impossible for Proclaimed List firms to obtain material due to the sanctions imposed by the Allied Authorities, the Argentine Government purchases the material in its own name and orders the material delivered to the Listed entities.

Another documented case which the Embassy has discovered involves the firm of Francisco Aurelio, which firm has signed a standard undertaking[22] with this Embassy. Aurelio submitted documents proving that he was being obliged by the Argentine Ministry of War to deliver merchandise to Siemens Bauunion, Wayss y Freytag and "Geope"[23] (all PL).[24]

Aurelio informed the Embassy that on September 30, 1943, he received an invitation from the Dirección General de Ingenieros, a dependency of the Ministry of War, to participate in a public licitation for the provision of certain metal products. On October 4th, Aurelio presented his quotation for the material desired by the Ministry of War and on October 15th was awarded the contract. As a result of this contract, Aurelio manufactured the product and when the material was ready for delivery, notified the Ministry of War who indicated the firms to which the material was to be delivered. Among these firms were included Siemens Bauunion, Wayss y Freytag and "Geope" (all PL). In view of the standard undertaking which Aurelio has with the Embassy, he visited the Ministry of War and protested that he could not deal with Proclaimed List entities. However, he was informed that he was to obey orders given him by his Government. In view of the threat of sanctions on the part of the Government, Mr. Aurelio was forced to deliver.

Mr. Aurelio submitted documentation to the Embassy which revealed that whereas orders for material to be delivered to non-listed entities did not bear the seal of the Argentine Army, orders for the

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[21] None printed.
[22] An agreement by a person or firm removed from the Proclaimed List to engage in no business with Axis or Axis-tainted firms, to dismiss employees, to provide details of business, and to submit books of account to auditors whenever the American Embassy requested.
[23] Presumably Compañía General de Obras Públicas, S.A.
[24] Proclaimed List.

Proclaimed List firms were counter-signed with the seal of the Argentine Army as shown in the accompanying photostats.[25] Photostat #9 is added to inform the Department of the conditions which the Ministry of War places on the suppliers of material for Proclaimed List entities regarding price and other matters which aid the Listed entities. Photostat #10 is added to show that a non-listed firm, Nicolas Caputo, did not have the counter-sign of the Argentine Army.

As a further indication of the Argentine Government's aid to Axis firms, I have the honor to report that the firm of Juan Minetti e Hijos, a local cement manufacturer, refused to sell to the Proclaimed List firm Wayss y Freytag. Wayss y Freytag reported the matter to the Argentine Ministry of War for which the Axis firm was constructing. The Argentine Ministry of War asked the firm Juan Minetti e Hijos why they refused to operate [*cooperate?*] with Wayss y Freytag. When Minetti reported that he did not wish to expose himself to the sanctions of the Allied Authorities by so doing, the Ministry of War stated that if that were the case, it would purchase the material and at the present time is purchasing material from Juan Minetti e Hijos and having it delivered to Wayss y Freytag.

The Department will recall that on January 17, 1944, the Argentine Government expropriated all supplies of copper in Argentina. A photostat of the secret decree is attached.[25] As the Department is aware, the Proclaimed List firm S. E. M. A.[26] has found it difficult to obtain raw materials to carry on its production for the Argentine Government and it is believed that the expropriated supplies will, to a large extent, be handed over to this firm.

Respectfully yours,

For the Ambassador:
MERWIN L. BOHAN
Counselor for Economic Affairs

740.0011 European War 1939/32832: Telegram

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

BUENOS AIRES, January 25, 1944—5 p. m.
[Received 6:58 p. m.]

211. I am informed that local press representatives have been told by the Foreign Office to publish editorials preparing way for severance of relations with Axis. Press correspondents have been told to stand by for important announcement. Meanwhile radio stations are forbidden to mention subject. City is full of impending break fed by

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[25] Not printed.
[26] Sociedad Electro Metalúrgico Argentina.

radio reports from abroad. Cabinet meeting is expected this afternoon with Farrell[28] and perhaps Rawson[29] present. Former returned by plane from inspection tour in northwestern Argentina.

ARMOUR

835.00/2275 : Telegram

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

WASHINGTON, January 25, 1944—midnight.

149. The action you have taken as outlined in your telegrams 201 and 205, January 4 [*24*], meets with the complete approval of the Department.

The Department welcomes the forthcoming rupture of relations between Argentina and Germany as of considerable military advantage in as much as Germany will thus have one less means of conducting espionage, sabotage, and subversive activities in this hemisphere. It is for this reason that the action contemplated with respect to Argentina has been deferred.

The Department takes note of the fact that the contemplated Argentine action does not represent the fulfillment by Argentina of its inter-American commitments, although it does indicate that Argentina has belatedly realized the dangerous nature of the Axis activities which made necessary the adoption of those commitments by all the republics and their execution by all except Argentina.

The break in relations with the Axis, however, cannot in itself be expected to alter the Department's program designed (1) to hinder pro-Axis activities in Argentina and (2) to discourage anti-Allied movements in neighboring countries with Argentine and Axis support, unless the recent "discovery" of the Argentine Government that an extensive spy ring has been operating in that country under the auspices of the German Embassy results in a complete reorientation of Argentine policy toward the Axis, with a consequent identification of that policy with that followed by the other American republics.

The Department believes that the Argentine Government should realize that it can only demonstrate that a real reorientation of policy has taken place through the taking of the following steps supplementing the break with Germany and Japan:

1. The Argentine Government itself, or at least influential persons and groups within the Government, has stimulated and assisted movements aiming to subvert neighboring governments friendly to the Allied cause and to replace them with governments enjoying Axis

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[28] Brig. Gen. Edelmiro J. Farrell, Minister of War.
[29] Arturo Rawson, Argentine Ambassador to Brazil.

support. In the event of rupture of relations by Argentina with the Axis, these activities would become more serious than the underground work of the Nazis themselves.

2. The full results of the Argentine investigations into the recently discovered spy ring would be of great value to our intelligence services and to those of our Allies. It is our belief that full disclosure of this data would implicate persons high in the Argentine Government. The readiness, therefore, of the Argentine Government to make available this information would be a real test of the good faith of that Government.

3. Following the break of relations, energetic action by the Argentine Government to prevent the Axis diplomats and officials from carrying on any harmful activities pending the prompt conclusion of arrangements for their exchange.

4. Since Germany and Japan will immediately endeavor to carry on harmful activities through other channels, the Argentine Government should act vigorously to extirpate these channels, as otherwise the closing of the diplomatic missions will be valueless.

5. In addition to Axis-directed activities, pro-Axis Argentine individuals and groups have been working in close cooperation with Axis-controlled activities. The Argentine Government should take energetic and effective steps to stop these activities.

6. We would expect full implementation of the Rio and Washington resolutions [30] with regard to economic and financial controls.

7. Complete severance of all telecommunications with Germany and Japan.

Although we attach importance to action with regard to each one of the foregoing points, the extent of reorientation of Argentine policy will be gauged here to a considerable extent by developments with respect to points 1 and 2.

We judge from your telegrams referred to that you have covered in part the Department's point of view as elaborated. We desire you to make certain that our attitude is understood immediately, so that there will be no misunderstandings later, once rupture of diplomatic relations has taken place. At the same time, since rupture of relations has definite military advantage we must leave to your discretion the degree to which you can emphasize the Department's attitude without jeopardizing the possibility of rupture. You can tell better than we whether you can cover in one conversation all of the above-mentioned points or whether in order not to produce an adverse reaction you should cover some of them in separate conversations. We incline to think that it would be desirable for you to go over the ground directly with the President at the earliest suitable opportunity.

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[30] For text of the 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, 1942); for correspondence concerning the conference held in Washington, June 30–July 10, 1942, see *Foreign Relations*, 1942, vol. v, pp. 58 ff.

It is believed that similar representations on the part of your British, Brazilian, and Chilean colleagues would be of special value. We are communicating with their respective Foreign Offices about this.

With reference to the tanker *Buenos Aires* mentioned in your 201 of January 24, the Department is not disposed to review its earlier negative decision pending further developments indicative of Argentina's real intention to cooperate in hemisphere security matters.

HULL

740.0011 European War 1939/32857 : Telegram

The Secretary of State to the Argentine Minister for Foreign Affairs (Gilbert)

WASHINGTON, January 26, 1944.

I am deeply appreciative of your telegram of January 26 [31] informing me that the Argentine Government has severed diplomatic relations with the Governments of Germany and Japan. It is particularly gratifying to learn of this important step directed toward preserving the security and solidarity of the American nations.

I am equally confident that this step will result in an ever increasing spirit of collaboration and unity between our respective countries.

CORDELL HULL

740.0011 European War 1939/32853a : Circular telegram

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

WASHINGTON, January 26, 1944.

The Secretary made the following statement concerning Argentina at his press conference today:

"It will be most gratifying to all the Allied Nations, including especially the American Republics, to learn that Argentina has broken diplomatic relations with Germany and Japan. This action was taken because the Argentine Government realizes that the Axis countries are using Argentina as a vast operating base for espionage and other activities highly dangerous to the security and internal peace of the Hemisphere. It must be assumed from her action that Argentina will now proceed energetically to adopt the other measures which all of the American Republics have concerted for the security of the continent."

HULL

[31] Not printed.

840.51 Frozen Credits 35/293 : Telegram

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

BUENOS AIRES, January 26, 1944—8 p. m.
[Received 9 : 01 p. m.]

222. Discussions will be undertaken within next day or two with Minister of Finance [32] and other appropriate officials with respect to paragraph 6 of your 149, January 25, 12 p. m.

I do not believe it wise to start these discussions on a haggling or bargaining basis, and for this reason I would appreciate being authorized to inform the Minister, at time thought appropriate by me, that Banco de la Provincia and Banco de la Nación were being removed from list of special blocked nationals. This may well be desirable during the first conversations if Government seems disposed to take effective steps to implement Rio de Janeiro and Washington resolutions.

An all-out effort will be made by us to secure implementation of those resolutions in such manner as effectively to damage German commercial and industrial organization which has been and continues to be one of principal sources for financing subversive activities in South America. This objective may or may not be attained. However I feel that the good will resulting from the unfreezing of the two banks would be definitely of more value in our negotiations than using these banks as a bargaining weapon. The stakes we are playing for now are too great to adopt the latter alternative.

For the Department only:

I am afraid that Treasury Department will view this suggestion with disfavor. If Department agrees with me that the relatively unimportant matter of these two banks should not be allowed to be an obstacle to our attempts to secure effective implementation, the Secretary may consider it advisable personally to intervene.

An urgent decision is requested.

ARMOUR

840.51 Frozen Credits 35/293 : Telegram

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

WASHINGTON, January 27, 1944—8 p. m.

164. Although the Department fully appreciates the reasons for the recommendations in your telegram no. 222, January 26, 9 [8] p. m., it is not believed desirable to make any changes in the present Argentine policy pending further developments in Argentina.

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[32] César Ameghino.

You may, however, inform the appropriate officials of the Argentine Government that you have been informed that reconsideration is being given to the status of the two banks. It is hoped that by this means you may be able to obtain your objective. The question will be taken up with Treasury within a few days if developments in Argentina continue to be favorable.

HULL

835.00/2297 : Telegram

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

BUENOS AIRES, January 27, 1944—8 p. m.
[Received January 28—1 : 28 a. m.]

236. I saw Gilbert and took up with him one by one the points raised in Department's telegram 149, January 25, midnight. For purposes of clarity, I had summarized for him in writing various points although I did not leave written document with him.

His replies were as follows:

1. As he had already assured me his Government is determined to proceed vigorously against any individuals or groups who show signs of being engaged in subversive activities against neighboring or other Governments. He had called in Paraguayan Ambassador [34] this morning to assure himself there was no evidence or suspicion that recent attempt in Paraguay had any support or encouragement from here and had been relieved to learn there was no such evidence. (The Paraguayan Ambassador confirmed this to me later. He says Gilbert had apparently heard some story that United States had told British we suspected Argentine interference.) I assured him it was the first time he [*we?*] had heard it. He says Gilbert told him his Government could count on full support here even to extent of sending Paraguayan or other plotters to German concentration camp they were planning to establish in South.

2. Government intends to publish full report on result of investigations into Hellmuth spy-ring case. He hopes this will be ready by end of week which was reason he had originally suggested Saturday January 29 for date of rupture. Report will be very detailed.

3. Both German and Japanese Embassies and staffs are under close surveillance and he feels sure measures taken will prevent any such activities but he will issue instructions to redouble vigilance.

4 and 5 he feels are covered by thorough investigation they are making of all espionage activities. In any event they intend to take steps necessary to extirpate all such channels and will watch particularly all pro-Axis Argentines in addition to those involved in spy-ring now under investigation. . . .

6. He called in Torriani [35] and had him read me decree which will

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[34] Francisco Pecci.

[35] Carlos L. Torriani, Chief of the Division of Economic and Consular Affairs of the Ministry for Foreign Affairs.

probably be issued tonight or tomorrow prohibiting all financial and economic transactions with Germany and Japan and Axis-occupied territory specific mention being made of Washington resolution: (It is significant that in this and other cases studious avoidance is made of any reference to Rio Resolutions).

7. Orders have, he said, been issued severing all telecommunications with Germany and Japan.[36] Exception was made of messages from German and Japanese Embassies to their Governments dealing with rupture of relations. Even these had to be submitted to Ibarra García [37] for censorship. Ibarra in Gilbert's presence told me he passed only 2 out of 15. (Transradio, however, states up to present matter is still being discussed with posts and telegraphs and messages going forward).

I then spoke to Gilbert regarding German and pro-Nazi Press expressing surprise these papers were continuing publication and in case of *Pampero* its attacks. He said they had all received severe warning that they would be closed at once if any further offenses. I said I thought Government's action closing *Crítica* for 3 days, the only capital paper closed since rupture, might well cause unfortunate impression abroad particularly since German Press was still going full blast.

Gilbert seemed full of confidence and determination. It remains to be seen whether he can or will do all he claims he intends to do but after his success of yesterday I have more confidence. Certainly it would appear that Gilbert and Ramírez have for the time being the upper hand.

ARMOUR

740.0011 European War 1939/33120

Memorandum of Conversation, by the Secretary of State

[WASHINGTON,] January 27, 1944.

The Argentine Chargé d'Affaires [38] called at his request merely to pay his respects promptly after the action of his Government in breaking relations with the Axis powers. He talked as though he were greatly relieved at this development saying that he felt satisfied that his Government would go through entirely with the task of housecleaning, adding however that this recent action was not taken without terrific controversy within the Government, and that his Government might be delayed somewhat in dealing with one phase or another of the program, but that he felt that it would in due course work out all right. I expressed unusual satisfaction at the developments in the Argentine Government and said that I was most pleased to learn from the Chargé

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[36] For correspondence on the interest of the United States in communication facilities between Argentina and the Axis, see pp. 391 ff.

[37] Under Secretary for Foreign Affairs.

[38] Rodolfo García Arias.

himself what our Ambassador had been told in Buenos Aires to the effect that there would be a complete housecleaning. I then added that, of course, if the important phases should be too long delayed, the reaction in this country toward the Argentine Government would be highly unfavorable especially in view of the fact that his Government has been known to be pro-Axis in many vital respects. The Chargé said he realized that and repeated his belief that the Government would go through with a housecleaning program. I again stressed the extreme importance of making the housecleaning thorough and as expeditiously as at all possible so as not to be misunderstood in this and in other Allied countries. He said he appreciated this view.

C[ORDELL] H[ULL]

740.00115 European War 1939/8429a: Telegram

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

WASHINGTON, January 28, 1944—10 p. m.

172. Reference Department's no. 154, January 26, 5 p. m.[39] Now that Argentina has broken diplomatic relations with the Axis, the Department desires that you follow closely the action of the Argentine Government along the following lines, offering such informal suggestions and assistance as, in your judgment, may be appropriate.

1. Regarding exchange of officials and members of their families with European Axis powers as well as Japan you may state that the United States Government, within the possibilities of pending negotiations, is willing to consider how it may facilitate such exchange by issuance of safe conducts and by any other necessary and proper measures. As you know, the practice followed in many cases has been to assemble the departing officials in a suitable hotel at some distance from the capital pending final arrangements for their departure. After negotiations are completed and the release of the Argentine officials in Europe is assured the transportation of the German officials from Argentina might perhaps be arranged on a neutral vessel bound for a European port. The United States Government would be willing to cooperate to the best of its ability in issuance of safe conducts to non-official nationals in the event the Argentine Government is, within the limitations of Resolution XX of the Emergency Advisory Committee for Political Defense at Montevideo,[40] able to make satisfactory arrangements with the German Government for their ex-

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[39] Not printed.

[40] This resolution deals with the detection and expulsion of dangerous Axis nationals from the American Republics. For text, see Emergency Advisory Committee for Political Defense, *Annual Report*, July 1943 (Montevideo, 1943), p. 73. For correspondence on the United States participation in this Committee, see *ante*, pp. 1 ff.

change. The Argentine Government should however be warned that this Government would be unwilling to grant safe conduct for repatriation of those German nationals whose repatriation in its opinion, or that of the United States or British Embassies, might be prejudicial to the cause of the United Nations. Such persons should be effectively restrained within this hemisphere. All outstanding authorizations for issuance by the Embassy of safe conducts to German nationals are hereby canceled.

2. The United States Government would be pleased to extend to the Argentine Government any facilities for exchange of officials and non-officials which may come into existence under the pending United States-Japanese negotiations for a further exchange of nationals with Japan.[41] The Embassy may bring to the attention of the Argentine Government the present situation in this regard as set forth in Radio Bulletin No. 10, January 12, 1944. The observations in the ante-penultimate sentence of paragraph (1) of this telegram may have to be applied to prospective Japanese repatriates depending upon the course of negotiations.

3. The Department wishes to be kept currently informed of steps taken to transfer the protection of the interests of the Axis powers to a neutral power or powers.

4. Report promptly and in detail with your recommendations any plans being considered by the Argentine Government for exchange arrangements and the considerations involved therein. The Department particularly hopes that the Argentine Government will make no hard and fast commitments in this regard until the details of any proposed arrangements are reported to the Department and considered by it in the light of hemispheric security and pending negotiations with Germany [42] and Japan.

5. The Embassy should closely watch Argentine implementation of Resolution XX of the Montevideo Committee. That resolution, while recognizing the free exchange of diplomatic personnel, recommends that the internment of non-official personnel is greatly preferable to their repatriation, which should be strictly limited and, moreover, permitted only on an exchange basis. These principles are generally followed with Germany; where necessary for humanitarian reasons more latitude is permissible as to Japan.

6. Finally it is considered extremely important that Axis diplomatic and consular officials, agents, employees, members of their families, and their servants of enemy nationality, should be strictly confined, with due regard of course to accepted international practice in such matters, and to the treatment accorded Argentine officials by Japan

[41] For correspondence regarding these negotiations, see vol. v, pp. 1081 ff.

[42] For correspondence regarding negotiations with Germany, see vol. III, pp. 785 ff.

and Germany. They should be denied all means of communication, whether by telegraph, radio, telephone, post, or personally, except with the representative of the Protecting Power and the Argentine authorities, and in the interests of hemispheric security these restrictions should be strictly enforced by an adequate guard at the place or places of detention.

7. The Department is alive to the delicacy of these matters. The foregoing sets forth the general practice followed so far in this war. The Department has full confidence in your ability to achieve maximum possible observation of these practices by the Argentine Government and leaves completely to your discretion the manner of achieving that end.

HULL

835.00/2307 : Telegram

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

BUENOS AIRES, January 29, 1944—noon.
[Received 1:46 p. m.]

266. It is no exaggeration to say that the accepted theory here among Argentines and foreigners alike is that Argentina broke relations as result of pressure from abroad. Naturally the United States is the unanimous choice among those who hold that theory. Very many also believe that the credit should be shared by Great Britain. The exact nature of the pressure varies with the individual theory but all agree it must have been immensely powerful. That this situation is viewed with alarm in those responsible circles is shown by fact Santos Gollan of *La Prensa* called at Embassy yesterday to urge that our Government take some action to disabuse people of the idea. I said I felt such action might more logically come from Argentine Government. However, I called later on Legal Counselor of Foreign Office and discussed the matter with him. I referred to our talk late Monday night (telegram 207, January 25, 4 p. m.) saying that it would appear to be more to his own Government's interest than to mine to dispel this impression. I suggested that the best method would be to issue a statement setting forth as thoroughly as possible the details learned as a result of the Hellmuth arrest, including names of those implicated. Santos Muñoz confirmed his Government's preoccupation with this widespread version of pressure and agreed that something ought to be done to quash it. He added, however, that unfortunately up to present the case his Government can make is not so complete and convincing as to justify in the public mind severance of relations and thus effectively put an end to other rumors. He felt,

therefore, that it would be advisable to wait until more complete data are assembled. The Minister might, however, have other views and he would certainly bring my suggestion to his attention. (I have heard from another reliable source, however, that the real problem confronting the Government is not lack of material but too much of it in that the case is so far reaching and affects so many members of the Government they cannot afford to publish the details or if they do—as Gilbert has assured me they will—the report will require considerable "editing").

At least in civilian circles it is noticeable that those who feel that Great Britain cooperated closely with United States in exerting alleged pressure manifest little or none of usual resentment so prevalent whenever the bogie of Yankee pressure has come up in past.

ARMOUR

840.51 Frozen Credits 35/316a : Telegram

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

WASHINGTON, February 4, 1944—8 p. m.

210. The Department is still considering the status of the two banks in Argentina [43] as outlined in your No. 302, February 2, 5 p. m.,[44] but does not contemplate action pending further developments in Argentina.

Department is confident, in this connection, that you will report promptly any measures to implement decree severing financial transactions with Axis and any action taken by the Argentine Government to control financial transactions within Argentina which may be of benefit to Axis nationals.

HULL

740.0011 European War 1939/33011 : Telegram

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

BUENOS AIRES, February 4, 1944.
[Received February 4—7 p. m.]

332. Presidential Secretariat announces decision sever diplomatic relations with Rumania, Hungary, Bulgaria and Vichy.

Danish Legation here announced today that in view of Argentine break with Axis and actual situation in Denmark where King is unable to exercise constitutional functions and no national government exists, it cannot continue to follow instructions from Denmark. Statement

[43] Banco de la Nación and Banco de la Provincia Buenos Aires.
[44] Not printed.

adds that with approval of Argentine Government and in cooperation with other Danish Legations in America, it will continue to represent Denmark and safeguard Danish interests in Argentina.

Repeated to Rio, Santiago, Montevideo.

ARMOUR

835.00/2328 : Telegram

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

BUENOS AIRES, February 5, 1944.
[Received February 5—11 : 30 a. m.]

337. In press conference yesterday afternoon Chief of Presidential Secretariat [45] made number of declarations supplementing those of President Ramírez mentioned in my telegram No. 249 [January] 28.[46] Following are principal points.

(1) Decision to break relations with Axis was taken because of proof obtained of German and Japanese espionage activities despite fact convictions of members of Government favored neutrality policy followed by Castillo government. In breaking relations Argentina acted on its own account in defense of its national sovereignty without pressure of any kind.

(2) Evidence shows existence of two German spy rings, one operating under Embassy and other under individual named Harnisch [47] believed direct agent of Hitler. Evidence of Japanese espionage activities will be made public next week and data on German activities later.

(3) Argentine Government considers espionage activities were carried out on orders of German and Japanese Governments and therefore German and Japanese residents will not be molested so long as they act properly.

(4) Situation of German and Japanese language newspapers is under consideration but they will probably be permitted to continue publication provided they show respect for Argentine sovereignty in their declarations.

(5) Some elements of the country are critical of Government's decision to break relations but others who have been most strongly opposed to break have recognized its action as defense of sovereignty. Attitude of interventor in Tucuman province, Dr. Baldrich,[48] is praiseworthy example. In contrast some of his collaborators in Tucuman have resigned with insulting statements toward Government.

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[45] Col. Enrique P. González.
[46] Not printed.
[47] Hans Rodolfo Harnisch, secret agent of the German Military Intelligence.
[48] Presumably Alberto Baldrich, later Minister of Justice and Public Instruction.

Their cases will be judged by the courts. A total of seven nationalists have been arrested.

(6) There is complete solidarity in the Government and there will be no resignations in the Cabinet.

(7) Foreign Minister has communicated with Uruguayan Ambassador [49] regarding repeated attacks in Uruguay on Argentine Government and high ranking Argentine army and navy officers. It is hoped that this campaign which might provoke troublesome reactions and worsen relations between the two countries may be checked.

(8) Speaker expressed gratification at cordial reception given Ambassador Escobar by Secretary Hull. He indicated that choice of successor to General Rawson as Ambassador at Rio was being carefully considered.

(9) Speaker asserted that extraordinary interest and high prices in Government securities noted on exchange was evidence of people's confidence in the Government.

(10) Secretariat of Labor and Social Welfare will shortly issue series of decrees to establish principle of equity awaited by working people of the country. Speaker eulogized work of Colonel Perón at head of Labor Secretariat. He concluded with warning that fight against communism must be intensified.

Repeated to Montevideo.

ARMOUR

835.00/2376a : Telegram

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

WASHINGTON, February 12, 1944—8 p. m.

266. The steps which the Argentine Government has taken since the breaking of relations with the Axis including the suspension of telecommunications and the severance of financial and commercial transactions with the Axis, have all been considered helpful and viewed favorably. On the other hand, failure of the Argentine Government thus far to take other effective and thorough measures to supplement the break in relations has heightened speculation as to the real intent of that Government.

The specific points which raise a doubt as to the sincerity of the Argentine Government include:

1. The failure of the Argentine Government to take action in regard to a long list of spies and saboteurs submitted more than a year ago

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[49] Eugenio Martínez Thedy.

and the continued presence in the Argentine Government of individuals and groups known to have been closely associated with Axis activities.

2. The continued operation of the German Embassy even in its present restricted capacity and the failure to intern German and Japanese officials or to establish controls over dangerous German and Japanese non-officials; also the leniency being shown toward diplomats of Axis satellites.

3. The appearance of the newspaper *El Federal*, as referred to in your no. 369 of February 8.[51]

4. The failure to intervene, vest or supervise commercial and financial institutions with records of support for Axis espionage and subversive activity.

5. The apparent willingness of the Argentine Government to promise that the tanker *Buenos Aires* will not be used in any way to cooperate with the other American Republics in return for German safe conduct.

6. The continued operation of clandestine radios in the Argentine.

The allegations that Argentina was forced into breaking relations through concern over possible pressure may well have caused added resentment against the United States on the part of officials of the Argentine Government. In view of these circumstances the Department considers it preferable at this stage to follow the first alternative suggested in your 354, February 7, 8 p. m.,[52] and await developments rather than to negotiate with the Argentine Government on a bargaining basis.

The Department is forced to the conclusion that the Argentine Government is very far from having actively initiated the sort of housecleaning which is essential if this Government and the other American Republics are to conclude that Argentina is sincerely on our side. If no further energetic action is forthcoming, the break of relations can only be considered a subterfuge. It does not seem to the Department desirable to enter into any such broad negotiation as that proposed in your 354 of February 7, since performance on our part would very likely be met with lip-service and decrees but not compliance and cooperation on the part of the present Argentine authorities. Therefore, this Government plans to adopt an attitude of watchful waiting, without prejudice to continually presenting its position to the Argentine Government without, however, putting the matter on a bargaining basis for the present. You will continue to make clear to the Argentine authorities the action which is expected of them. As soon as Ambassador Escobar has presented his credentials to President

[51] Not printed. The new paper was immediately characterized as an ultranationalist journal (835.911/275).

[52] Not printed; the first alternative suggested in this telegram was to await developments, and the second, to offer Argentina critical materials in return for the vesting of certain firms and the cessation of contractual relations between the government and intervened firms (840.51 Frozen Credits 35/336).

Roosevelt, arrangements will be made for a series of meetings with appropriate officials of the Department at which the situation can be taken up in detail with the Ambassador.

In the event that the Argentine Government moves forward along desirable lines, there are a certain number of measures which will be open to us and which might be encouraging to our friends in Argentina. These measures include the following.

1. Removal from special list of blocked nationals of the Banco de la Nación and Banco de la Provincia.
2. Return to our former policy of supplying spare parts and maintenance equipment for the Argentine Navy.
3. The release of certain critical materials bought and paid for by Argentine firms and in storage.
4. The reconsideration of Argentine petroleum equipment requirements.

Other possibilities will doubtless occur to you. It would be the Department's plan to take any or all of these measures, on recommendations from you, as and if the Argentine situation develops favorably without, however, engaging in any bargaining.

The Department wishes to take this opportunity of expressing to you and your staff its profound satisfaction with the manner in which you have handled this situation in the past and its confidence that through a continued firm presentation of this Government's point of view favorable results can be achieved.

STETTINIUS

835.50/164 : Telegram

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

BUENOS AIRES, February 17, 1944—8 p. m.
[Received 11:47 p. m.]

467. I am very reliably informed that Perón claims to have in his possession copy of a despatch originating in the Department (apparently intercepted in the mails) showing that the British were not prepared to join us in economic sanctions against Argentina because of their dependence on this country for supplies, particularly meat.

Perón is reported to have used this material effectively against Gilbert in the recent blowup,[53] as evidence that he had been bluffed by the United States into breaking relations with Axis.

My informant was under the impression the despatch or communication was dated January 16. If report is true it might refer either to enclosures to Department's instruction 5358 of January 8[54] or

[53] General Gilbert's resignation as Argentine Minister for Foreign Affairs was reported on February 15, 1944.
[54] Not printed.

enclosures forwarded to me under cover of personal letter from Kenly Bacon [55] of February 2.[56] Our files show both communications came in unaccompanied airmail pouches the first received here January 15 (sack No. 2622) the second February 9 (unlisted in invoice).

None of these enclosures is dated January 16. My guess would fall on one of enclosures to Bacon's letter, any one of which would have furnished material of type described.

May I again stress to Department vital importance of having all confidential or secret communications sent by courier.

ARMOUR

WITHHOLDING OF RECOGNITION FROM THE REGIME OF EDELMIRO FARRELL BY THE UNITED STATES [57]

835.00/2388 : Telegram

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

BUENOS AIRES, February 25, 1944—4 p. m.
[Received 7 p. m.]

533. It appears fairly clear that Ramírez [58] actually resigned last night. It also seems clear that his action was taken under compulsion. Several morning papers which appeared about 2 o'clock in fact announced resignation. The change from "resignation" to "delegation of the Presidential mandate" to Farrell [59] apparently came about after Silgueíra, Minister of Justice and lawyer of long experience, interviewed Ramírez in company with Farrell and Perón.[60] Police visited newspaper offices around 3 a. m. and instructed them to be careful not to carry any mention of "resignation" and both Perón and new Chief of Police [61] shortly thereafter took pains to inform press that President needed rest and had merely delegated his authority to Vice President. It is significant that from 2 to 8:30 a. m., telegraph and radio companies were under orders of Post Office not to transmit any message "abroad or within the country private in nature or diplomatic referring to internal and international politics". Says [*said*] instruction applied to international telephone calls during above hours.

In other words Farrell and his group are attempting to avoid having question of recognition presented. This seems further confirmed by Perón's statement at press conference this morning to effect

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[55] Acting Chief, Division of River Plate Affairs.
[56] Not found in Department files.
[57] For correspondence regarding efforts of the United States to obtain uniform action by the other American Republics with respect to Argentina, see pp. 288 ff.
[58] For correspondence on the United States position with respect to the regime of Gen. Pedro P. Ramírez, see pp. 228 ff.
[59] Gen. Edelmiro Farrell, Minister of War and Vice President.
[60] Col. Juan Domingo Perón, Director of the Department of Labor.
[61] Col. Filomeno Velasco.

that he did not think it was necessary for Farrell to take an oath for he was already sworn in, nor did he think there would be any Cabinet changes.

President's downfall is unquestionably due to his new attempt to assert himself along lines mentioned in my number 517, February 24, 6 p. m.[62] Situation is tense and further developments may be expected. In spite of Perón's statement, there has already apparently been one Cabinet change since we have been informed by a Foreign Office official that Sueyro,[63] Ramírez's closest adviser in Cabinet, presented his resignation this morning.

We are attempting to secure, if possible from Ramírez himself, true story of his "abdication" but I think Department will agree that circumstantial evidence clearly points to another *coup d'état*, this time presenting us with clear issue as to continuance of official relations with new setup which has taken over, when all is said and done—as result of refusal to follow Government in its decision to implement break in relations.

I feel Department should consider whether we should not take position along somewhat following lines "that, as in case of Bolivian coup,[64] purely legalistic forms and tests cannot be followed with continental security et cetera, at stake; that aside from whether or not a legal succession from Ramírez to Farrell has been established, (this will be dealt with in separate telegram) our Government and we hope Governments of the other American Republics, propose to follow procedure initiated by Political Defense Committee at Montevideo,[65] namely to examine all circumstances surrounding withdrawal of Ramírez and as result of this examination then to decide what our relationship should be with the new lineup here. Should Farrell's government be placed in same category as that of Villarroel [66] by other American Republics and Great Britain, this would not only make its continuance difficult but would certainly encourage internal elements in opposition to it.

Unless we act promptly and decisively in concert with other American Republics, present regime can be expected to intensify its efforts to foment similar movements in other Republics. Should Farrell be able to survive under procedure proposed, we must face possibility that he will then redouble such efforts in order not to remain completely isolated.

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[62] Not printed.

[63] Adm. Benito Sueyro, Minister of Marine, was Acting Minister for Foreign Affairs, as reported to the Department by Ambassador Armour on February 17 (835.002/342).

[64] See correspondence on United States recognition of the revolutionary junta in Bolivia, pp. 427 ff.

[65] For correspondence on activities of this Committee, see pp. 1 ff.

[66] Maj. Gualberto Villarroel, Head of the Bolivian Governing Junta.

Repeated to Rio, Santiago, Montevideo and Lima. Paraphrase to Asunción by courier.

ARMOUR

835.00/2407 : Telegram

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

BUENOS AIRES, February 26, 1944—4 p. m.
[Received 4:47 p. m.]

551. I saw Benavides[67] who is recommending to his Government that they take no action that in any way could be interpreted as recognition of the new regime pending a very careful examination of all facts surrounding yesterday's events. Benavides feels that crux of situation is whether Ramírez made a voluntary transfer of power to Farrell. He is himself convinced that it was not voluntary and therefore a *coup d'état*. He remarked that actually we had no verification that Ramírez had signed any document, citing case of Peñaranda.[68] He therefore thinks it most important that Dean of American Diplomatic Corps, Uruguayan Ambassador,[69] should personally call on Ramírez to ascertain true story of what happened. Benavides told me that plain-clothes detective has been posted by police in front of his Embassy and when questioned admitted he had been placed there to prevent Ramírez from seeking asylum there. He thinks that Government suspects Ramírez will attempt to seek asylum or tell his story to some member of Diplomatic Corps which he feels is in itself evidence that Ramírez did not act voluntarily.

Repeated to Montevideo, Santiago and Lima.

ARMOUR

835.00/2388 : Telegram

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

WASHINGTON, February 26, 1944—7 p. m.

345. In view of the information conveyed in your 533 of February 25 the Department is in agreement with the position outlined by you in that message, namely, that prior to entering into relations with the new Argentine regime established as a result of the events of the early morning of February 25, the other American republics should be consulted concerning the desirability of mutual consultation and exchange of views and information in accordance with the procedure set forth

[67] Marshal Oscar Benavides, Peruvian Ambassador in Argentina.
[68] Gen. Enrique Peñaranda y del Castillo, former President of Bolivia.
[69] Eugenio Martínez Thedy.

in the pertinent resolution of the Montevideo Committee. A copy of the telegram which we are sending to our missions in the other American republics is being sent to you for your information.[70]

Pending the outcome of the decision on consultation and exchange of views you should exercise every caution to avoid action which might in any way imply recognition of the existing Argentine regime. Such contacts as may be necessary or desirable between your Embassy and officials of that regime should be conducted in an informal manner. Great care should be exercised to make sure that such contact is limited to a minimum and is not subject to misinterpretation. The Embassy should perform no services in relation to documents such as passports issued since February 25.

STETTINIUS

835.00/2429 : Telegram

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

BUENOS AIRES, February 28, 1944.
[Received February 28—5 : 44 p. m.]

567. Following is translation of statement made by Acting Minister of Foreign Affairs General Mason on assuming office today:

"The Argentine Government will as always continue to pursue a foreign policy directed to the strict fulfillment of undertakings with respect to continental security, solidarity and defense. Respecting the commitments undertaken, it will employ all the means at its disposal to fulfill in practice these purposes of the Government. Loyalty and respect towards the governments of friendly countries will govern all the objectives of its foreign policy and it will particularly endeavor to strengthen and increase its relations with all the countries that maintain friendly ties with our own, thus persevering in the task of definitely eliminating any factor that may affect this solemn decision.

"I make these declarations after having had a long conversation with General Farrell regarding the current situation and the objectives of our foreign policy and in agreement with him I am able to state in summary that our foreign policy will not change during the time that His Excellency the Vice President of the nation exercises the executive power."

ARMOUR

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[70] Circular telegram of February 26, p. 292.

835.00/2430 : Telegram

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

BUENOS AIRES, February 28, 1944—6 p. m.
[Received 8 : 36 p. m.]

570. Espil [71] tells me Escobar [72] telegraphed that in his last talk with the Acting Secretary,[73] latter received him as Dr. Escobar not as Ambassador and explained our Government's position as one of examining events of Thursday night fully before reaching any decision as to what our attitude is to be towards new regime. Espil added that Ibarra García [74] and other higher officials of Foreign Office had a long talk this morning with Mason attempting to make clear to him seriousness of situation, the possibilities raised by recognition problem, necessity of Government's taking prompt action against Axis agents and press, et cetera. Mason who appeared genuinely surprised by these unenvisaged complications for the new regime went at once to Farrell. Latter reassured him: Said this was all untrue or exaggerated.

Meanwhile Espil has postponed his departure for Rio until Friday at earliest. He pointed out to Foreign Office possible incident with Brazilian Government if he arrived and if Vargas [75] decided not to receive him or a long interval elapsed.

It occurs to me this might be a good opportunity for Aranha [76] to call in Migone [77] and suggest as friendly gesture that Espil delay his arrival until situation has cleared. Also it might smoke out Aranha as to what his position is to be. I am afraid he may use excuse of Farrell's honeyed words to Alves [78] and Mason's declaration this afternoon to act hastily. Also I have not forgotten Aranha's remark to Caffery [79] last June that he would be glad to recognize 20 Argentine Governments. Certain of my colleagues share my opinion that Alves' visit to Farrell last Saturday revives unpleasant memories of Brazil's bolt last June.[80]

Cuban and Dominican Ministers have already received instructions to follow our lead and I have informed them confidentially of procedure our Government proposes to follow and my instructions meanwhile to avoid any contacts with new regime that might prejudice our position. I propose to make known our position to other colleagues as

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[71] Felipe Espil, appointed Argentine Ambassador to Brazil.
[72] Adrian C. Escobar, Argentine Ambassador in the United States.
[73] Edward R. Stettinius, Jr.
[74] Under Secretary in the Ministry for Foreign Affairs.
[75] Getulio Vargas, President of Brazil.
[76] Oswaldo Aranha, Brazilian Minister for Foreign Affairs.
[77] Raúl Migone, Argentine Chargé in Brazil.
[78] José de Paula Rodrigues Alves, Brazilian Ambassador in Argentina.
[79] Jefferson Caffery, American Ambassador in Brazil.
[80] For the Ambassador's report on Brazil's decision to recognize the Ramírez government, see telegram 1269, June 9, 1943, 6 p. m., *Foreign Relations*, 1943, vol. v, p. 376.

I see them. We are avoiding full meetings of the Corps for obvious reasons. Uruguayan Ambassador decided not to visit Ramírez and the Nuncio [81] is to see him this afternoon. Nevertheless, I hope to persuade the Peruvian who is a close personal friend of Ramírez also to see him and ascertain the truth.

Repeated to Rio.

ARMOUR

835.00/2445 : Telegram

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

BUENOS AIRES, February 29, 1944—1 p. m.
[Received 1:27 p. m.]

576. Embassy received yesterday note announcing assumption of Presidency by Farrell similar to communication mentioned in Caffery's 728, February 28, 7 p. m.[82] In view of Department's instructions [83] I am making no acknowledgment.

Repeated to Rio.

ARMOUR

835.01/168 : Telegram

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

BUENOS AIRES, March 1, 1944—6 p. m.
[Received 9:40 p. m.]

605. Farrell and Perón (the latter is, of course, directing affairs) are obviously maneuvering to meet situation created by question of recognition and are presenting their case along following lines:

1. That Ramírez is still President; that delegation of power to Farrell was voluntary on Ramírez' part and merely internal affair not involving question of recognition by foreign powers. Statement by Martín Gras [84] on arrival La Paz was evidently carefully prepared to this end. In order to preserve this fiction, they are making every effort to prevent statement or intimation from Ramírez that action was taken under pressure. In this they have apparently succeeded thus far.

2. Insisting that Ramírez' policy as to implementing break in relations is being followed, to wit Mason and Farrell announcement new arrests of Axis spies,[85] et cetera.

3. Appointments to Cabinet of men who they feel on their previous records would be acceptable to United States and other Republics as

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[81] Giuseppe Fietta.
[82] Not printed.
[83] Telegram 345, February 26, 7 p. m., p. 254.
[84] Gen. Martín Gras, Argentine Ambassador in Bolivia.
[85] For correspondence regarding United States concern with Axis espionage in Argentina, see pp. 377 ff.

well as British. Teisaire [86] is a case in point and I was informed last night by Alonzo Irigoyen [87] who came with warm invitation from Perón for a conference with me that further Cabinet resignations will eventually be forthcoming and intimation that successors will be entirely satisfactory to United States.

By these methods they hope to make it difficult for Brazil, Chile and other neighbors particularly to withhold recognition and thus in event United States and certain other Republics decide on non-recognition to secure break in United-American front.

This analysis is, of course, based on conjecture but I present it for Dept's consideration with suggestion that until we know attitude other Republics, particularly Mexico, Brazil, Peru and Chile propose to take, it may be advisable to proceed carefully in indicating what our own position will be.

I presume the point the Department wishes particularly cleared up is whether Ramírez' action was taken under pressure. See Embassy's telegram 591, February 29, 10 p. m.[88]

While all evidence points to pressure, absolute proof in form of first-hand statement from Ramírez himself is proving extremely difficult to secure but we shall do our best.

In the meantime if there are other points on which Dept. desires further information, we shall endeavor to furnish it.

ARMOUR

835.00/2498 : Telegram

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

BUENOS AIRES, March 3, 1944.
[Received March 3—5 : 57 p. m.]

630. The Acting President gave an interview last night to the Associated Press, the principal points of which are as follows:

There is no reason for Argentine foreign policy to change. Farrell is only momentarily in the Presidency where he fulfills a duty which logically devolves upon a Vice President when an Acting President delegates the mandate. Such an act is very simple and gives no cause for prejudging intentions. Farrell's intention is to continue the Government's work, building and not destroying. Regarding foreign policy, the Government believes it has honestly fulfilled all its obligations thus honoring the brilliant Argentine tradition. Argentina has collaborated and will continue to collaborate with America and nothing will prevent it from fulfilling its elementary duty of solidarity with all the countries of the continent.

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[86] Rear Adm. Alberto Teisaire, Minister of Marine.
[87] Presumably Under Secretary of Finance.
[88] Not printed.

Internal policy and not external factors or inadmissible concepts should be the basis of the country's foreign policy. The June revolution [89] has profound social implications and the Government is trying to constitute a new Argentina and a new national consciousness. The country is now entering the constructive stage and is on the path of normality. The men in the government are only there momentarily and none of them wishes to remain a minute longer than is absolutely necessary.

The interview terminated with Farrell's statement that "Under the protection of the constitution, in the defense of which the armed forces of the nation had to go into action, Argentina's institutions will revive full of the vigor which the youth of our country demands; the people itself will be master of its destiny; we desire only that I not make a mistake in choosing. This is the finest prize to which all the men aspire who are working in this purifying and patriotic stage."

The Government is obviously making great efforts through propaganda to convince the world that its domestic and foreign policies are in harmony with the ideals of Pan Americanism and the democratic tradition. The Department will detect in the above echoes of Castillo and Ruiz Guiñazú of foreign policy and Ramírez, Perón and others of the July [*June*] 4 group on the Constitution and internal policy.

Interviewed yesterday by the same agency, ex-President Castillo declared that he believes indispensable an early return to normality, feels with deep disquiet the grave turn of events, and hopes that the men now in the Government will find the longed for solution. He added that the future and tranquillity of the country demand the greatest patriotism and self-sacrifice and that he has full confidence in the Argentine Army and Navy.

ARMOUR

835.00/2528a : Circular telegram

The Acting Secretary of State to the Diplomatic Representatives in the American Republics Except Argentina, Bolivia, and Chile

WASHINGTON, March 4, 1944.

The Acting Secretary released the following statement concerning Argentina at his press conference today:

"The foreign policy of the United States since the beginning of the war has been governed primarily by considerations of support to

[89] This has reference to the elevation of General Ramírez to the Presidency in 1943. For correspondence on the recognition of Ramírez by the United States, see *Foreign Relations*, 1943, vol. v, pp. 365 ff.

the prosecution of the war. That applies to our relations with any country. That is the single uppermost point in our policy and must remain so.

Prior to February 25, the Argentine Government had been headed by General Ramírez. On January 26, 1944, his Government broke relations with the Axis, and indicated that it proposed to go further in cooperating in the defense of the Western Hemisphere and the preservation of hemispheric security.

Suddenly, on February 25, under well-known circumstances, General Ramírez abandoned the active conduct of affairs. This Government has reason to believe that groups not in sympathy with the declared Argentine policy of joining the defense of the Hemisphere, were active in this turn of affairs.

The Department of State thereupon instructed Ambassador Armour to refrain from entering official relations with the new regime pending developments. This is the present status of our relations with the existing Argentine regime.

In all matters relating to the security and defense of the Hemisphere, we must look to the substance rather than the form. We are in a bitter war with a ruthless enemy whose plan has included conquest of the Western Hemisphere. To deal with such grave issues on a purely technical basis would be to close our eyes to the realities of the situation.

The support by important elements inimical to the United Nations war effort of movements designed to limit action already taken could only be a matter of grave anxiety.

The United States has at all times had close ties with Argentina and the Argentine people. It has consistently hoped, and continues to hope, that Argentina will take the steps necessary to bring her fully and completely into the realm of hemispheric solidarity, so that Argentina will play a part worthy of her great traditions in the worldwide struggle on which the lives of all of the American countries, including Argentina, now depend. The policies and types of action, present and future, which would effectuate this full cooperation are fully known in Argentina, as in the rest of the Hemisphere."

STETTINIUS

835.00/2552 : Telegram

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

BUENOS AIRES, March 6, 1944—9 p. m.
[Received 10:45 p. m.]

660. Yesterday Espil telephoned that Ibarra García was most anxious to arrange a secret meeting between me and Perón. I replied I felt that under the circumstances it would not be possible.

Today Espil came to see me. He said Ibarra considers such a meeting most important since he feels sure if I could put up the whole situation clearly and forcefully to Perón a satisfactory solution could be found. Ibarra has been appalled how little the colonels prominent

in regime know of true facts. They (not Perón of course) knew nothing until Ibarra told them of Ramírez' promise to me last July to break; they were convinced the rupture was brought about by direct pressure from us and that we are now trying to force them to declare war on the Axis. Ibarra said it was just as much in Perón's interest as mine to keep such a meeting secret but he insisted some way must be found to exchange ideas. They had even at one moment considered sending a confidential agent (possibly Ibarra himself) to Washington as under present conditions Escobar is not being received, but Espil had advised against this for obvious reasons.

I told Espil I disliked idea of even an informal meeting with Perón. Aside from everything else it might seem acceptance on my part that Perón was running the Government. This might be true but I did not wish to appear to admit it. I said Perón and Farrell must know, as the Acting Secretary had pointed out in his statement Saturday, the policies and types of action necessary to elicit cooperation from us. Furthermore, appointment of a good Foreign Minister and certain changes in Cabinet, notably removal of Perlinger,[90] were I felt essential first steps if they wished to show they mean business. Espil said this was true but he still felt a strong presentation of the case by me to Perón would be useful in breaking the deadlock. We left it that I would think it over but I held out little encouragement although I indicated I might be willing to meet Ibarra informally.

I should appreciate an expression of the Department's views on advisability of such a meeting with Perón. Perón is key figure in Government and a clear and forceful presentation of our position might possibly cause him to take steps in direction mentioned in your press conference of March 4th, even to extent of making such Cabinet changes as would inevitably reorient this Government's whole attitude. I personally am not so optimistic, and I fear possibility that lesser changes not far reaching enough to reassure us, might make it difficult for us and the other American countries to hold out longer in refusing to deal with regime. Even if a really important change should take place, I do not know the Department's point of view sufficiently to judge whether we desire a solution that would permit relations with this Government under its present leadership regardless of the substitutions that must take place in its less important members.

Department may well prefer to have things continue as they are for the present in the possibility that events within the country will provide the solution; such possibility undoubtedly exists, but may take time to eventuate. In addition, my acceptance of the invitation might be interpreted by Perón as a willingness to bargain. I might also

[90] Gen. Luis César Perlinger, Minister of Interior.

add that I have no confidence that Perón would not exploit our having met in any way that would advance his own [name?], very possibly to our own disadvantage.

Espil was particularly anxious not to have his name in any [way?] mentioned in connection with these talks he is having with me.

ARMOUR

835.00/2552 : Telegram

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

WASHINGTON, March 7, 1944—2 p. m.

397. The Department considers that your action in not seeing Perón is completely correct in as much as any such meeting might be interpreted by the other American Republics as an indication that we are having official contacts with the present Argentine regime, particularly since the other American Republics have instructed their diplomatic representatives not to do so. As you point out in your 660, March 6, 9 p. m., such a meeting might also be interpreted as a willingness to bargain. It is felt that this Government has already made its position sufficiently clear. If Perón is anxious to obtain the "true facts" on our attitude, the Argentine Foreign Office can furnish him with abundant material over the past year.

The British have indicated a complete willingness to cooperate with us and Mr. Eden [91] is making a statement tomorrow.

The Department has asked the Combined Boards [92] to review their findings. You will be notified of the results. In the meantime please consider the desirability of adopting any economic or other measures at this time.

STETTINIUS

835.00/2618 : Telegram

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

BUENOS AIRES, March 11, 1944—7 p. m.
[Received March 11—3 : 40 a. m.]

698. A member of my staff has obtained from a reliable source which must be protected a signed copy of Ramírez's letter of resignation dated March 9. Embassy does not have specimen of Ramírez's signature but person familiar with signature believes it to be genuine. Text reads in translation as follows:

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[91] Anthony Eden, British Secretary of State for Foreign Affairs.

[92] For a list of the Combined Boards on which the United States was represented, see Department of State *Bulletin*, January 16, 1943, p. 67.

"To the people of the Republic:

His Excellency the Vice President of the nation in exercise of the executive power, Brigadier General D. Edelmiro J. Farrell.

On repeated occasions, now in public now in private, I have manifested that: 'as soon as noticed that I had ceased to enjoy the confidence of the Armed Forces that brought me to occupy the post of the first magistrate, of the country, I would resign immediately from that high post and would return it to those who, without my having desired it or asked for it, had handed it over to me in a moment that was difficult for the fatherland, considering me, perhaps, the exponent of the ideals that animated the glorious revolution of June 4, 1943'. And (on those occasions) I added that, in such case, I would present myself before my people and before my comrades to render account of my errors.

Little time has been necessary for that kind of prediction to be fulfilled.

In effect, for some reason that history one day will tell, of [*at*] meeting held in the Ministry of War on the night of February 24–25 and attended by a large number of officers of the garrisons of the federal capital, Liniers, Palomar, (aerial base and military academy), Campo de Mayo and La Plata, the opinion of those officers, as expressed personally through their garrison chiefs, took an unfavorable attitude toward me, and those chiefs asked me to delegate my mandate to His Excellency, Vice President and Minister of War General Farrell.

What had happened? The opinion of the officers of those garrisons mentioned, already deceived once, with regard to the rupture of relations with Germany and Japan, in the sense that (they believed) the motives for that action as made public by the Government (German and Japanese espionage) were not exact, while the fear of supposed measures of pressure on the part of the Government of the United States of North America did, on the other hand, exist, was violently shaken as an expression of reaction to a supposed lowering of the national dignity. That same opinion was, a little while later, again deceived by the rumor that I had ready, 'and according to some, signed' three decrees that would shortly be issued. Those supposed decrees were: (1) decreeing martial law; (2) declaring war against Germany and Japan; (3) decreeing general mobilization.

Of no avail were my efforts to convince the officers corps of the falsity of such unfounded tales. Nor were my own words, expressed before the corps of chiefs and officers in two large meetings, one of which took place in the headquarters of the first division and the other in Campo de Mayo, sufficient to convince them of their error. The die was cast; intrigue availed more than did reason.

Today there only remains for me to declare solemnly before the people of my fatherland, and with God as my witness, that: I swear by my honor as a soldier that everything that has been said relative to the existence of the three decrees to which I have made reference is absolutely false and tendentious.

For the reasons here expressed by me, which make my continuance in the high office that I now occupy incompatible with my dignity and honor, I present to those to whom I gave my oath, to the people

and to the armed forces, my resignation as President of the Argentine nation.

Buenos Aires, March 9, 1944.

Pedro P. Ramírez, Major General."

ARMOUR

835.00/2626 : Telegram

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

BUENOS AIRES, March 13, 1944—7 p. m.

[Received March 13—6 : 45 p. m.]

719. We no longer have any doubt but that text of Ramírez' resignation quoted in translation in Embassy's 698, March 10 [*11*], 7 p. m., is authentic. Press has been ordered not to publish it but text is already in so many hands that Government may find it necessary to release it in which case they may attempt some form of explanation or rebuttal.

ARMOUR

835.00/2744a : Airgram

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

WASHINGTON, March 24, 1944—6 : 30 p. m.

A–285. The following circular airgram has been sent to all the other American Republics and is being transmitted solely for your information:

"The following information concerning the attitude of the Argentine Government is transmitted for your information and for possible use in conversations with authorities of the Governments to which you are accredited but not for transmittal in writing:

"The Farrell regime in Argentina has now been in power nearly 4 weeks. They have not indicated the slightest disposition to cooperate with the United Nations. On the other hand they have taken steps which can only be characterized as unfriendly. These include:

1. Transfer of the Secretariat of Press and Information from the Presidency to pro-Axis Minister of Interior, General Perlinger, and the subsequent appointment of notorious pro-Axis sympathizers as Secretaries in this service.

2. The arbitrary censorship of American films and newsreels. This censorship has been administered in such a way as to make the films serve pro-Axis propaganda purposes. Ambassador Armour has recently received word indirectly that American films would be shown in Argentina without this type of censorship, but this has not yet been confirmed.

3. The Argentine Government has decreed that all United Press services be terminated in the Argentine.

4. *El Federal*, the newspaper which has taken the place of *El Pampero*, continues its vitriolic attacks against this Government.

5. The pro-Axis newspaper *La Fronda* has reappeared in print and contains anti-democratic editorials and is said to have financed backing of pro-Axis Argentine Nationalist, Manuel Fresco.

6. Contracts for 70,000,000 pesos have been granted to German firms to construct barracks.["]

HULL

800.20235/431c : Airgram

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

WASHINGTON, March 27, 1944—2 : 45 p. m.

A–293. The following circular airgram has been sent to all the other American Republics and is being transmitted solely for your information:

[Here follows text of circular airgram of March 21, 1944, 7 : 30 p. m., printed on page 301.]

Repeated to LaPaz, Asunción, and Santiago.

HULL

835.01/313 : Telegram

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

WASHINGTON, April 3, 1944—7 p. m.

557. We have given careful thought to your no. 873, March 30,[93] and no. 887, April 1.[94] We see the question in the same terms as you, namely, of developing a working relationship with an Argentine Government prepared and able to cooperate for hemisphere solidarity and security.

We agree that the situation will undergo change, and it is desirable, therefore, that we take whatever appropriate steps are open to us to achieve our objective.

The British Embassy here believes that the best course is for either you or Kelly[95] or both of you to indicate to Perón that were the following developments to occur the road would be open for reconsideration of our attitude on recognition:

1. Thorough and effective collaboration to foil Axis activities in the Argentine, particularly those relating to espionage, smuggling, and telecommunications;

[93] Not printed.

[94] *Post*, p. 307.

[95] Sir David Kelly, British Ambassador in Argentina.

2. Appointment of new Cabinet Ministers, particularly in Foreign Relations and Interior, that would inspire confidence of collaboration for hemisphere security; and

3. Fixing of a date for general elections. The British here believe that this action should be taken at once, believing that it might encourage Perón in his struggles with Perlinger.

Please discuss this idea with Kelly and send us your views by return wire, in order that the Department may be able to reach a prompt decision.

We are now reviewing the situation in Bolivia created by the changes in the Junta. We hope to be able to come to a decision as to their significance and as to our attitude within a few days.

HULL

835.01/333 : Telegram

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

BUENOS AIRES, April 13, 1944—6 p. m.
[Received 11:35 p. m.]

970. Until the beginning of this week it looked as if Cabinet changes were about to be made which would include elimination of Perlinger and the appointment to important Ministries of individuals who would inspire more confidence. During the past few days, however, there have been indications that Perlinger is gaining strength and that there is a possibility that a compromise deal will be worked out which would either leave him in the Cabinet or assure him indirect but effective participation in the Government.

It is not clear, and in the last analysis does not really matter, whether Perón lacks the strength to eliminate the extremists or whether he really prefers to work with them.

Delay in reaching a solution of the Argentine Government's internal problem and the possibility of a compromise being reached between Perón and Perlinger suggest the desirability of some action being taken to precipitate matters. The Embassy has contemplated a number of possible ways to bring about a definitive solution of the impasse, ranging from recognition on strength of Cabinet changes to outright economic sanctions, and suggests that consideration be given to some such course of action as that set forth below.

In view of the possibility of an undercover deal with the Extreme Nationalist "Argentenista" [96] element I believe we would be justified in insisting that the Government first adopt and apply certain concrete political and economic defense measures which would necessarily

[96] Group of younger army and navy officers headed by Gen. Benjamín Menéndez.

be unacceptable to Perlinger group. With regard to the manner of making our position known, I am more than ever satisfied that it would be unwise for me to see Perón or any other member of the present Government or any of their emissaries. The Department will be in the best position to determine an alternative method of presenting our conditions.

As reported in Embassy's numbers 959 and 962 [97] the Government has announced elaborate ceremonies for the Day of the Americas including addresses by Farrell and Mason. I fear that if apparently favorable Cabinet changes follow upon or are accompanied by declarations of solidarity and readiness to cooperate in common hemisphere undertakings, some of the other Republics may consider that they can no longer withhold recognition. In order to prevent such a movement from getting out of hand the Department may wish to consider an immediate cautionary telegram to all missions indicating that we do not intend to recognize until there is concrete evidence in the form of significant anti-Nazi measures that the Government is no longer linked to the Extreme Nationalist and pro-German elements.

I recommend that our Government and the Republics which have not yet recognized should insist on some minimum action program along the following lines:

(1) Intervention and control of the principal Nazi business firms on conditions that would prevent their obtaining imported merchandise, would expropriate all such merchandise now in their stock, and would gradually lead to their liquidation or transfer to friendly national interest.

(2) Cessation of all Government dealings with firms on the Proclaimed and Statutory lists.

(3) Immediate detention by Argentine authorities of all Axis nationals deemed dangerous within the meaning of Resolution XX of the Committee for Political Defense.[98]

(4) Liquidation of Axis propaganda media, including newspapers, magazines, printing establishments, radio and motion pictures.

(5) Intern Axis diplomats, Military Attachés and other agents who are still at liberty although official relations with the Axis have been severed.

(6) Establish methods of inspection of passengers, crews, and cargoes leaving Argentine ports for Europe which will assure discontinuance of smuggling to our enemies.

(7) Liquidation of all Axis organizations. That the foregoing is an essential minimum program is substantiated by Department's circular airgram A–293 of March 27.

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[97] Telegrams of April 12, not printed.

[98] The resolution dealt with arrangements for the detection and expulsion of dangerous Axis nationals from the Americas. For text of the resolution, see Emergency Advisory Committee for Political Defense, *Annual Report*, July 1943 (Montevideo, 1943), p. 73.

I believe that if the steps indicated are not taken before recognition it is doubtful that they will ever be taken. Furthermore, there is good reason to believe that recognition is very much desired by the principal leaders of the Government, particularly the Perón–Farrell faction, and therefore constitutes a more powerful instrument than may be generally appreciated. The Government seeks recognition (1) to strengthen its internal position, (2) to obtain a greater and more effective participation in inter-American affairs and (3) as a necessary step to obtain a voice in discussions of post war plans and at any international conferences which may follow the cessation of hostilities.

In the meantime, it is of course essential, if we hope to achieve the objective outlined above, to hold in line the other American Governments that have not recognized the Argentine regime. It was with this problem in mind that the suggestions contained in my telegram no. 887, April 1, 1 p. m.[99] were made. Among the steps which it seems to me ought and could be taken in this direction are the following:

1. If recognition is accorded Bolivia on terms demonstrating its unqualified adherence to inter-American commitments, this should strengthen disposition of other Republics to insist upon similar adherence by Argentina and contribute to undermine prestige and influence of present regime at home and abroad.

2. Extend economic assistance to Uruguay to enable it to withstand Argentine pressure. Nature of such assistance and its timeliness is of first importance, rather than quantity involved. Specifically, the recommendations in Ambassador Dawson's no. 338, April 11, noon,[1] with respect to anhydrous ammonia, liquid chlorine, carbon disulphate and newsprint would seem to merit immediate attention. Here again the publicity factor is of great importance and should be handled carefully. From this point of view for example it would seem an excellent move to publicize extent and character of Argentine economic pressure against Uruguay by sending liquid chlorine to Montevideo by plane. Publicity on this point would be calculated to counteract one of principal bases of Argentine anti-United States propaganda, namely alleged use of economic pressure. Another important factor would be an increase of shipping services to Uruguay, to which Uruguayan Ambassador apparently referred in interview with the Secretary of March 20.

3. Strengthen our present export policy toward Argentina by gradually and quietly cutting down on exports of all materials, whether in short supply or not, until the Argentine Government establishes controls which will insure that no imported materials reach our enemies. On this point it is essential to reject any isolated proposals by Argentine Government or agencies which in effort to obtain some urgently needed product offer minor political or economic defense controls as inducements. For example, recent assurance that Chilean prefabricated copper would not benefit enemy firms. It is obvious

[99] *Post*, p. 307.
[1] From Montevideo, p. 1611.

that any piecemeal concessions of this kind would render ineffective the threat of economic shortages and disruption of domestic economy and military rearmament, which now exists at least potentially.

4. Insist continually that such Republics as Brazil (chief Argentine supplier in 1943) and Chile (on such products as copper) restrict to the utmost their exports to this country.

5. In the implementation of this policy in whole and in part, for example in method of conveying to Argentine authorities what is expected of them in order to obtain recognition, every effort should be made to assure participation of other American Governments that have not extended recognition. Such cooperative action now would counteract growing tendency to look upon present problem as exclusively ours, and strengthen future continental unity.

ARMOUR

840.51 Frozen Credits 35/403c: Telegram

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

WASHINGTON, May 5, 1944—10 a. m.

741. The Secretary of the Treasury [2] has again urged, and I am seriously considering, the desirability of subjecting Argentina to a general Treasury freeze similar to the one proposed last January.[3]

I am considering such a freeze as part of a program similar to that suggested in the latter part of your 970, April 13, which might include the following steps:

(1) Immediate announcement by the Treasury of a general Treasury freeze as was proposed last January and utilizing the same general statements, terms and conditions including private authorizations to banks and other financial institutions which would permit financial transactions incident to ordinary commercial transactions.

(2) Carrying forward one by one over a period of a few months of some or all of the following steps:

(*a*) A tightening up on general exports to Argentina as suggested in your 970.

(*b*) Diverting an occasional meat ship from the River Plate to the United States so that Argentina's position as a source of Britain's meat supply would be reduced.

(*c*) Reduce or eliminate the granting of licenses for Argentina to acquire petroleum products at Caribbean supply points.

(*d*) Reduce the availability of coal to Argentina.

The Treasury freeze would of course have to be publicly announced. The other items would be done quietly and without any public announcement and spread over a period of considerable time rather than announced as a program of economic pressure. Their effect would, of course, become known to Argentina as each step was taken.

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[2] Henry Morgenthau, Jr.

[3] See telegram 39, January 8, 11 p. m., to Buenos Aires, p. 288.

I should appreciate your comments by urgent telegram on the desirability and workability of such a program, its effects in Argentina, and your views on any possible repercussions in other American republics.

HULL

840.51 Frozen Credits 35/406 : Telegram

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

BUENOS AIRES, May 6, 1944—1 p. m.
[Received 4:03 p. m.]

1173. I have very carefully considered the suggestions contained in your 741, May 5, 3 p. m. [*10 a. m.*]. In this connection, I would appreciate your referring to my telegram 729, March 15, noon,[4] especially the first paragraph and the paragraph following indent (*d*). With specific reference to general freezing I cannot recommend this action at this time, since I believe it would be a dangerous and unwise step to take until our overall policy towards this country has been definitely determined. I feel that we should not take action which would humiliate Argentina without being willing to follow through completely. Parenthetically, I would appreciate your reviewing my telegrams Nos. 2483, October 20, 9 p. m., and 2530, October 27, 6 p. m.[5] You will then see that my recommendation for freezing was based on a set of local circumstances far different from those existing today.

I would also recommend that consideration of items "*a*", "*b*", "*c*", and "*d*" be deferred pending a decision on overall policy. The August 26 policy [6] is fully defensible on grounds other than its being of punitive or pressure character. It merely makes a clear distinction between scarce and non-scarce commodities. Even Argentina has never challenged the fundamental basis of that policy, namely, that we were justified in demanding that requests for scarce commodities be justified on the basis of contribution to the war effort. Items "*b*", "*c*", and "*d*" by themselves are not sufficiently effective to do anything other than further irritate this Government. Item "*a*" is being considered by Embassy, but on the general basis outlined in my telegram 540, February 25, midnight.[7] Its recommendations in this regard will be forwarded in due course.

ARMOUR

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[4] *Post*, p. 413.
[5] *Foreign Relations*, 1943, vol. v, pp. 493 and 496, respectively.
[6] See memorandum revised as of August 26, 1943, *ibid.*, p. 492.
[7] Not printed.

835.01/384 : Telegram

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

BUENOS AIRES, May 16, 1944—6 p. m.
[Received 8 : 18 p. m.]

1247. For Duggan.[8] While I realize Department is giving its best attention to situation here, I wish to stress importance of early reply to our 1220, May 12, 6 p. m. and 1236, May 15, 6 p. m.[9] I believe it may be very useful for me to talk with Peluffo [10] on man-to-man basis before intransigents in Government possibly are able to lead Government to make an issue of diplomatic attendance at 25th of May celebrations other than *Te Deum*. He seems more disposed than otherwise to seek solution to present situation and I think if we approach him reasonably although, of course, firmly, we may find him cooperative. At least we will avoid criticism that we are uncooperative. Even my American colleagues are becoming increasingly restless and I am repeatedly being asked whether any attempt is being made to establish some informal contact with view to trying to reach a solution. If the conversation goes well, we may strengthen hand of opponents of Nationalists. If Department authorizes me, I shall try to see Peluffo alone possibly reserving Perón for later talk depending on how things go.

ARMOUR

835.01/383 : Telegram

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

WASHINGTON, May 18, 1944—10 p. m.

814. Your 1247, May 16, 6 p. m. You are authorized to see Peluffo if satisfied that he desires meeting and is prepared to discuss basic question of Argentine attitude on implementation of Axis break. In such discussion you should state our position clearly and frankly, as you did in talk with Ibarra García, bearing in mind the considerations set forth in our no. 804, May 17, 8 [9] p. m.[11]

In view of possible propaganda use that may be made of meeting before May 25 we leave to your discretion whether it would not be advisable to postpone it until after that date. In other words, if principal purpose of proposed meeting is to further Argentine effort to make use of May 25 ceremonies to break non-recognition front, then it would be advisable not to see Peluffo at this time.

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[8] Laurence Duggan, Director of the Office of American Republic Affairs.
[9] Neither printed.
[10] Gen. Orlando Lorenzo Peluffo, Argentine Minister for Foreign Affairs.
[11] Not printed.

In any conversation with the Foreign Minister you should make the approach in the form of an inquiry as to the real intentions of the Argentine Government with respect to implementation of the break with the Axis, and not in the form of proposals or suggestions on our part. You should also make it entirely clear, as stated in our no. 805, May 17, 10 p. m.,[12] that your attendance at the *Te Deum* service on May 25 in no way implies any change in our position with respect to recognition.

The Department believes you should make use of the occasion to state as forcefully and persuasively as possible the fundamental point of view of this Government, namely: That we are now engaged in the greatest war in our history and on the eve of crucial engagements in that war; that many thousands of United States and other American lives will be hazarded or expended in this effort; that the continued freedom and independence of every American nation, including Argentina itself, depends on the outcome; that in the broadest sense we are thus defending the hemisphere including Argentina with our own blood; that under these circumstances it is almost incredible that any American regime should expect recognition and the advantages of membership in the American family of nations without sincerely contributing to this common effort; that it appears to us absurd to pretend a neutral or impartial attitude as between American interests on the one hand and Axis enemy interests on the other; that this is not a question of personalities or Argentine internal affairs but a question of the basic direction of Argentine foreign policy; that we sincerely hope for a basic change in the direction of Argentine foreign policy, and no one will welcome the opportunity more than we, given that basic change, to resume in the fullest measure the historic friendship which both our peoples desire and which has been a consistent aim of our foreign policy. It might be added that practically every American home now has one or more men in the armed forces, many of whose lives are in danger, and that as a result American public opinion would create great difficulties in accepting cooperation by this Government with a government which, being in no danger of oppression, nevertheless failed to join with the other American Republics on this major historic issue.

For your information in case the subject should be raised, this Government considers and has so made clear to other interested governments, that the exchange of congratulatory telegrams between the governments of Argentina, Peru and Ecuador in connection with settlement of boundary dispute between latter two countries[13] will in no way affect existing relations with the present Argentine regime.

[12] Not printed.

[13] See bracketed note, p. 213.

In the event that you see Peluffo you should make clear the circumstances to your principal colleagues, to counteract any tendency to read into the meeting a move on our part toward recognition. We assume that despite every precaution to keep meeting secret it will become known to your colleagues.

HULL

835.00/2847 : Telegram

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

WASHINGTON, May 26, 1944—noon.

859. Reference your 1242 of May 16.[14] In the transaction of urgent and necessary business, the Embassy is authorized to certify signatures of present Argentine authorities provided it is indicated that the officials in question are the *de facto* authorities now functioning in Argentina.

Such legalization with such indication does not constitute recognition of a new government. It is desirable that such certifications be kept to a minimum.

HULL

835.01/452 : Telegram

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

BUENOS AIRES, May 26, 1944—6 p. m.
[Received 8 : 04 p. m.]

1335. Twenty-fifth of May celebrations concluded last night with gala performance at Colón Opera. Absence of diplomats from this function as well as President's dinner on 24th is widely known despite efforts of Government to play the fact down. Most newspapers refer to "the Diplomatic Corps" as being present at both, although *La Prensa* this morning qualifies expression by adding "who attended". Persons present at Colón say affair lacked usual sparkle and applause for President was little more than polite, except from large representation from military circles among audience.

National holiday was much as other years, crowds being large and peaceable, only untoward incident during day being demonstration by group of two to three hundred men at ceremony honoring the Liberator in Plaza San Martín. This group entered square chanting "Free country, liberty" and other such expressions and was broken up by a charge of mounted police, which resulted in several being injured. This may have been a Communist demonstration since Embassy had heard Communists were planning something of the sort

[14] Not printed.

but if it was, it lacked the usual Communist finesse since the consequent danger to the large number of school children present at ceremony has aroused public indignation against demonstrators. The Press and Information Office released statement to press angrily placing full blame on the Communists.

It is too early to appraise reaction among Argentines to refusal to attend dinner and Colón but I feel reasonably sure that we have not alienated any of our friends here.

ARMOUR

835.01/495 : Telegram

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

BUENOS AIRES, June 1, 1944—7 p. m.
[Received 10 : 47 p. m.]

1389. Espil tells me he was called to Ministry urgently by Peluffo last night. Latter said recognition matter must be dealt with promptly. May 25 incident was now finished chapter and he was disposed to do everything to bring about a solution compatible with Argentine sovereignty. He had discussed matter with other members of Cabinet and had full authority to deal with question. For this reason he desired another talk with me with Espil present. Before doing so, however, he wished to discuss question with certain officers of Junta who must be won over. He expected to have this meeting Friday (tomorrow) in which case his talk with me would probably take place Saturday. He said Farrell is making speech Sunday in which recognition question will be referred to. Peluffo did not indicate what line Farrell will take but Espil thinks he may use occasion to refer to action already taken by Government to implement break and the policy to be followed by Government in getting rid of Axis diplomats. I told Espil I would be glad to see Peluffo outside and privately but hoped he would have something definite to offer.

I plan to follow line decided upon in my last talk with Spaeth [15] attempting to secure from Peluffo definition of what they mean by full implementation of break and what actions they propose to take. I told Espil, that if Peluffo raises with me again the "sovereignty" argument I propose to tell him that the only country which has attempted to challenge Argentina's sovereignty is Germany and suggest natural line for them to take is that break with Axis and acts to implement break are logical sequences of Axis threat: that they have been taken in their own self-defense and defense of continent and have

[15] Carl B. Spaeth, Chief, Division of River Plate Affairs, and American member of the Emergency Advisory Committee for Political Defense.

nothing to do with United States pressure: that if Farrell in his speech Sunday could stress this point we might begin to get somewhere.

Espil said that following the May 25 incident an effort had been made by Nationalist extremists to force Government to have me and possibly certain other representatives declared *persona non grata.* Peluffo had opposed suggestion and Foreign Office had prepared memorandum showing dangerous consequences of any such extreme action. Matter had been discussed at two Cabinet meetings and idea had been rejected. It seems possible that these discussions brought home to Tore Moderatesa [*more moderates?*] in Cabinet necessity of finding a solution to present impasse.

Espil's version explains concern of my good friend the Papal Nuncio who called on me 3 days ago much alarmed at report I was to be given my passports. Although I am afraid I treated matter somewhat facetiously he was not convinced and persuaded Spanish Ambassador [16] to call on Peluffo and Farrell. Bulnes tells me that while he found nothing to confirm report, Peluffo was still bristling with "sovereignty" and ready to resign rather than give in to United States "pressure". In contrast, Farrell was reasonable and apparently desirous of finding a solution and disposed to do something to get it which Bulnes strongly urged. Peluffo's remarks to Espil 2 days after Bulnes' talk with Farrell would indicate that Farrell's and probably Perón's more moderate views have been impressed upon Peluffo.

ARMOUR

835.01/495 : Telegram

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

WASHINGTON, June 2, 1944—midnight.

898. The position which you propose to take in your conversation with Peluffo appears appropriate at present stage. Reference is to your 1389, June 1, 7 p. m. It is assumed that you will try to elicit his views with respect to the defense measures referred to in the fifth paragraph of our number 804, May 17, 7 [*9*] p. m.,[17] as well as with respect to an unqualified declaration of policy in support of the break. The Department understands, however, that you will not imply that recognition might follow the taking of any particular action.

HULL

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[16] José Muñoz Bulnes.
[17] Not printed.

835.00/2864 : Telegram

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

BUENOS AIRES, June 3, 1944—9 p. m.
[Received June 4—12: 50 a. m.]

1414. My 1400, June 2, 4 p. m.[18] Meeting took place in private apartment this afternoon. Peluffo, Perón, Teisaire and Espil were present. Peluffo opened conversation with dissertation along same general lines as at our last meeting. Sovereignty and Pan American solidarity were, he said, not incompatible but with present state of feeling in the country they had to act carefully. He could see no fundamental obstacle to a solution. They intended to implement the break to the full. He greatly regretted delay in departure of German diplomats caused by delay of Germans in replying. But they were going and nothing would give him greater pleasure than when time came and he would see headlines to this effect in the papers but meanwhile they could give no publicity to coming departure or fact that if Germans placed further obstacles they would be interned. This would have to await the event. If only they had recognition all this would be easy.

I then presented our case along lines familiar to Department. Perón then took the floor. He supported Peluffo in idea that revolutionary psychology here made it necessary for Government to act carefully—this in spite of fact that Government had support of army and people and was in to stay. He compared revolutionary atmosphere here with war atmosphere in United States. My suggestion that they make clear declaration of their position and of action taken and they proposed to take, basing these on German attempts against their sovereignty was, he said, not as simple as it sounded. He admitted the impasse. They could not appear to act under pressure, while on our side as I had explained we could not even if we wished justify recognition without certain acts having previously been taken. At this point Peluffo interposed to suggest we leave matters to "our great ally Providence" to decide. Meanwhile each side would do everything possible to create a better atmosphere. Perón said he would discuss with Farrell question of Axis press (this was discussed at some length) and propaganda against United States and Allied cause. This, he said, must be stopped. On our side they hoped our Government could give publicity to what they had already done and give them some credit for it, mentioning particularly departure of German diplomats, measures taken to prevent smuggling, stopping of all communications and commercial relations with Axis countries, arrest of Axis agents, et cetera. I said I would be glad to suggest this to Washington but asked Peluffo whether he could give me full list of acts taken and

[18] Telegram not printed.

others they proposed to take to implement break. He balked at this—said it would look like bargaining—recognition in return for conditions imposed by us. He said, however, he would see if it would be possible to give me a complete list of Axis agents arrested—Perón reminded me he had already had us furnished with list of agents who might be connected with activities in other Republics. Peluffo said it was possible that Farrell in his speech tomorrow night would refer to international situation but indicated final decision on this had not been reached.

General atmosphere was cordial and I have impression I may be invited to further talks in near future—that meeting today was more in nature of a "try out". I also feel they have something in mind here which they hope will change atmosphere—possibly Cabinet changes—Peluffo's remarks at beginning that I was in presence of the three Ministers who really constituted Government seemed significant, also reference to "our great ally Providence".

ARMOUR

835.00/2872 : Telegram

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

BUENOS AIRES, June 6, 1944—6 p. m.
[Received 9:10 p. m.]

1437. My telegram 1414, June 3, 9 p. m. Fact that Peluffo was unwilling to give me list of acts they propose to take to implement the break does not, I feel, alter necessity of our proceeding to draw up, if we have not already done so, our own list of minimum conditions for recognition. As discussed with Spaeth in his talk with Kelly and myself it would seem advisable that steps to be taken by Argentine Government be divided into two parts, those prior to recognition and those we would expect to follow shortly thereafter. We might at same time accompany our terms with intimation that if recognition follows we would be disposed to consider making available to Argentina certain materials in scarce or critical supply on similar basis as to other American Republics (it would be understood, of course, that for time being at least this could not include war materials). If this Government continues to refuse to act favorably then I feel there is no course open but to order me home "for consultation" or to announce that I am returning on "leave of absence". Kelly is entirely in accord with this procedure and has made a similar recommendation to his Government. We both feel that present situation cannot be permitted to drag on much longer.

From Caffery's telegram 2035, June 3, 4 p. m.,[19] it would appear that Aranha has put up through Argentine Military Attaché in Rio

[19] Not printed.

steps he considers essential for recognition. Would it not be possible to reach a common denominator with Aranha on our joint minimum conditions? If Uruguay, Peru and Mexico, for example, could be brought in we could then present single unified program thus avoiding inevitable confusion resulting from separate approaches ranging from Padilla's impractical suggestion (at least I so consider it) based on implementation of Rio resolutions to our own list as set forth in Department's telegram 804, May 17, 9 p. m.,[20] which if it was intended to represent our terms would, I think Department will agree, have to be revised or made more specific. Or perhaps the approach suggested in Dawson's telegram 514, June 5, 6 p. m.,[21] might prove feasible.

I am inclined to feel that Peluffo's reluctance to be specific on what they are prepared to do is due to not wishing to commit himself until he knows specifically what our terms are and that compliance would bring recognition. In any case I feel that now is definitely the time for a showdown.

Repated to Rio, Montevideo, Lima and Mexico.

ARMOUR

835.01/542a : Telegram

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

WASHINGTON, June 23, 1944—midnight.

1026. We do not feel that it would be advisable or desirable for you to make any effort to see Peluffo before your departure.[22] If he should approach you on his own initiative, you may in your discretion agree to an informal meeting. At such a meeting you should state that 4 months have elapsed since the change in government in Argentina, that your Government considers that the time has come for a comprehensive review of the entire situation, and that you have been called to Washington for consultation to that end. It may be that in any such interview Peluffo would again seek to follow tactics of delay and might go so far as to promise some immediate implementation of the Axis break. In that event you should limit yourself to the statement that you will, of course, faithfully report whatever he may wish to say to your Government.

A brief announcement that you are being called home for consultation will be made within the next 2 days, after allowing time for the other American Governments to be informed of contents of circular telegram quoted in Department's no. 1018, June 22, 11 p. m.[23]

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[20] Not printed.

[21] *Ante*, p. 14.

[22] In telegram 1019, June 22, midnight, the Ambassador had been instructed "to proceed at the earliest practical time by air to Washington for consultation". It was stated that Mrs. Armour should accompany the Ambassador.

[23] See footnote 30, p. 315.

We are instructing our Ambassador in London [24] to explain our position fully to the Foreign Minister and to request that British Ambassador in Buenos Aires be called home for consultation immediately. I have explained the situation fully to the British Ambassador who has undertaken to cable his Government immediately. You will wish to inform your British colleague of our action and the reasons therefor.

HULL

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123 AR 52/6–2744 : Circular telegram

The Secretary of State to the Diplomatic Representatives in the American Republics, the United Kingdom, and Canada

WASHINGTON, June 27, 1944—8 p. m.

The following statement has been released to the press tonight:

"The Ambassador of the United States in Argentina, Mr. Norman Armour, has been instructed to return to Washington immediately for consultation."

In addition the following information will be given to the press orally as background explanation:

"It is only logical that Mr. Armour should be recalled for consultation at this time on the subject of our relations with Argentina. It is, of course, well known that in all matters affecting the unity and security of this Hemisphere and the prosecution of the war against the Axis oppressors we are consulting with the other interested American Governments."

Since the Counselor of Embassy at Buenos Aires cannot be accredited to the Argentine Government as Chargé d'Affaires, his status so far as the Argentine Government is concerned will presumably be that of ranking officer of the Embassy.

HULL

835.00/7–344 : Telegram

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

WASHINGTON, July 3, 1944—7 p. m.

1079. A copy of an informal memorandum by the Argentine Government [25] with respect to its implementation of the break in relations was made available to the Department today by the Chilean Chargé.[26]

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[24] For text of the instruction, see p. 321.
[25] Not printed.
[26] Enrique Gajardo.

The following is a summary of six points made by the memorandum:

1. Argentina's international policy is based on the affirmation of her sovereignty and the faithful fulfillment of her contracted obligations. Argentina will continue to comply with her inter-American obligations. The break with the Axis is being carried out and will be carried out with firmness, in accordance with standards established by international practice.
2. German diplomats will leave in two groups on the 6th and 12th of this month.
3. Argentina has not spared efforts to prevent German firms from being converted into obstacles to the development of its policy of continental harmony, and for this purpose has adopted "a procedure of supervision which it will continue to perfect". The Argentine Government will take "complementary measures of intervention and control".
4. At the proper time the Argentine Government will take necessary steps to make public the measures which it may adopt in consequence of its break of relations.
5. The Argentine Government is proceeding to comply strictly with its undertakings. Many persons have been brought before the courts for espionage and several have been sentenced. Penalties have been applied to *La Fronda* for articles considered offensive to the United Nations.
6. Contrary to the views circulated, the Argentine Government does not tolerate any anti-Semitic stand or attitudes, and the isolated acts reported in Entre Rios have been strongly repressed.

Please cable the Embassy's comments and report specifically with respect to the procedure of supervision which the memorandum states has been applied to German firms.

HULL

740.35112A/7–644 : Telegram

The Chargé in Argentina (Reed) to the Secretary of State

BUENOS AIRES, July 6, 1944—noon.
[Received 3 : 16 p. m.]

1729. Reference point 3, Department's 1079, July 3, 7 p. m. In brief, there are no effective controls covering operations of Axis business and financial concerns with Argentina.

Such measures as have been taken have resulted primarily from extraneous influences and not from any spontaneous desire to implement the Rio and Washington resolutions.[27] At no time has the

[27] Approved at the Third Meeting of the Foreign Ministers in Rio de Janeiro, January 15–28, 1942 and the Conference on Systems of Economic and Financial Control in Washington, June 30–July 10, 1942; for correspondence, see *Foreign Relations*, 1942, vol. v, pp. 6 ff., and pp. 58 ff., respectively.

Argentine Government considered Axis and other totalitarian firms in Argentina as enemy.

1. The only "procedure of supervision" known to Embassy is that, provided for by Decree 122712, June 15, 1942, transmitted by despatch 5481, June 17, 1942.[28] This subject thoroughly discussed in memorandum of Banco Central (pages 35 through 40) attached to despatch 8565, February 5, 1943.[28] Embassy believes Department concurs that system described merely an inspection and observation procedure. So-called "interventors" have no real powers. So far as known, only 13 firms subjected to procedure, namely, those originally selected in July, 1942. Actually, to judge by externals German construction industry and such large German firms as Siemens and Thyssen are closer today to Government than at any time in past.

2. Ambassador last month instructed economic unit investigate statements made him by high officials that "complementary measures of intervention and control" were contemplated. In course of investigation, a long informal conference was held with high official Ministry Foreign Affairs. First 10 of 11 charges contained in despatch 15045, June 10,[28] were translated and given official in question who had no particular comment to make. He did mention rationing council and stated that council was working on implementation of third "considerando" of decree creating that council (see enclosure 3 to despatch 14950, June 3[28]). Embassy today learned that council addressed a communication on June 17 to Argentine Chamber of Commerce stating that council was referring to Ministry of Agriculture, Chamber's request that in carrying out plan for controlling secondary distribution drugs and chemicals described despatch 15045, June 10, firms adhering to plan would not be subjected to provisions of Article IX, Law 12591 regarding refusal to sell to determined entities. The above-mentioned communication transmitted copy of letter from council to Ministry of Agriculture dated June 4, in which council expresses itself favorably regarding Chamber's request, but only specific recommendation was that Ministry of Agriculture make its decision on general basis rather than specifically with regard to drugs and chemicals. The Chamber has received no advice of decision of Ministry of Agriculture. However, even this "complementary measure" cannot be ascribed to any desire to implement Rio resolutions. Rather, the entire matter resulted from stand taken by Embassy with respect to distribution drug and chemical products and the rationing committee, in its letter to Chamber, is careful to point out that it is not passing judgment on interpretation given by Chamber

[28] Not printed.

to reservation made by Argentina to Rio resolution V.[32] Likewise, proposed purchase of SEMA,[33] which may have been consummated, was considered by military authorities only because of necessity secure copper from Chile. See Embassy's 1448 of June 7, 1 p. m.[34] Compare treatment SEMA with that of American utility interests described despatch 15214, June 28.[34]

3. The following indicates that there is no substantial change in the local situation from that described in previous reports covering Government aid to Axis firms:

(*a*). Documentary evidence available that as late as June 16, Ministry Public Works requiring friendly firms permit German PL[35] firms to bid on sub-contracts requiring imported materials for compliance. (Three cases available in June in addition to those described despatch 15248, July 1).[34]

(*b*). Latest information from Argentine Construction Chamber dated June 16 shows that contracts continue to be given German PL firms. In May, Geope[36] declared two contracts obtained from Ministry of War totalling 1,038,584 pesos and Siemens BA Union two school building contracts for 98,821. In April, Geope declared Ministry of War contract for 263,919; from state railways two contracts totalling 662,240; and road contract for 2,310,928. In same month Weiss and Freytag declared state railway contract for 500,000 pesos. It is to be noted that these are all public works contracts and do not include many rearmament orders rumored as having been received by German interests.

(*c*). As late as July 4 Ministry of Finance inserted display of advertising in *Deutsche La Plata Zeitung*, *Il Mattino D'Italia*, *El Federal*, and *Fronda*. These advertisements covered bond conversions and were reportedly refused to *Argentinisches Tageblatt* and *Italia Libre*. In June issue of *Clarinada*, there is full page advertisement Ministry of Interior.

(*d*). *El Federal* appeared on Swedish newsprint on May 22, June 4, June 19, June 23 and July 6. *El Cabildo* appeared on Swedish newsprint on June 4 and with four pages on such newsprint on July 6 (suspension of *Cabildo* reported my 1727, July 5, 7 p. m.,[34] terminated this morning). Investigations indicate there is no question but that this paper was supplied by National Penitentiary which publishes *Diario Oficial* and is dependency of Ministry Interior. Unfortunately, documentary evidence covering this case unavailable other than that given in despatches 14896 and 15038 of May 27 and June 10.[37]

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[32] For text of Resolution V, which concerned the severance of commercial and financial ties with the Axis, see Department of State *Bulletin*, February 7, 1942, p. 124.

[33] Sociedad Electro Metalúrgico Argentina, a Proclaimed List firm.

[34] Not printed.

[35] Proclaimed List.

[36] Presumably the Proclaimed List firm Compañía General de Obras Públicas S. A.

[37] Neither printed.

(*e*). Embassy understands that 1,230,000 pesos have been deposited in court by Government in connection with expropriation 23 subway cars belonging to Siemens (see report 264, June 21[38]) as German firm contends that cars are worth 3 million pesos. In February a similar question was taken up with Central Bank by British Embassy and official of Central Bank stated that under existing decrees such funds could not be blocked. Embassy has no knowledge of any decree providing for blocking in connection with this expropriation.

(*f*). As far as Embassy knows Banco de la Nación is still attempting to supplant German bank in Asunción as described in Asunción's despatch 2010, April 25, 1940.[38]

4. President rationing committee called Presidents of Argentine Chamber and American and British Chambers to meeting late on evening July 5. Contemplated measures to be taken by rationing committee now being analyzed and will be telegraphed today.

Comment on other points enumerated in your 1079, July 3, 7 p. m., is being prepared and will be telegraphed shortly.

REED

840.51 Frozen Credits 35/7–2944 : Telegram

The Chargé in Argentina (Reed) to the Secretary of State

BUENOS AIRES, July 29, 1944—3 p. m.
[Received 6 : 55 p. m.]

1978. Reference Department's 1196, July 27, 7 p. m.[38] All information available to Embassy indicates Central Bank enforcing provisions of decrees prohibiting financial transactions with Axis countries and countries dominated by Axis. However, there is a loophole as indicated by numerous intercepts which show lack of local check preventing transfers to European neutrals from ultimately reaching Axis countries.

Central Bank circular number 350 and decree of January 27, 1944 being administered so as to eliminate all direct financial intercourse with enemy territory, except for representative and subsistence allowances provided by circular 350. It is not believed that *bona fides* of remittances are sufficiently checked. Due to lack of contract [*contact*] with Central Bank Embassy has been unable to ascertain size of subsistence and representational remittances.

Terms of current servicing obligations of Argentine Government not known to Embassy, but intercepts reveal that Argentine Government obligations being serviced through Credit Suisse Zurich. No information available to indicate that any payments being made on

[38] Not printed.

Dresdener Bank notes, except under blocking provisions formerly reported.

Answering paragraph 2, Argentine funds of real and juridical persons residing in Axis territory are blocked subject to the exceptions described in circular 351 of February 9, 1944. Central Bank interprets that exception to mean that local companies holding Axis funds are bound to block such funds in their own books, and are precluded from transferring such funds to another name or remitting abroad. Therefore this exception in effect allows local Axis to use funds of their parent organization in their own business in Argentina.

Embassy will endeavor to forward speedily a more detailed report but wishes to stress fact that an accurate analysis is precluded by its lack of contract [*contact*] with Central Bank. Our information is therefore based on intercepts, third party reports and hearsay.

REED

840.51FC35/8–1844 : Telegram

The Chargé in Argentina (Reed) to the Secretary of State

BUENOS AIRES, August 18, 1944—7 p. m.
[Received 8 : 17 p. m.]

2155. Embassy is presently opposed to freezing Argentine funds as mentioned in Department's 1303 August 17, 6 p. m.[44] Such action at this time would merely constitute punishment of Argentina and would have little economic war advantage or justification. Embassy would approve freezing if such action were part of all-out program or if it were directly related to protection American investments Argentina. However, recent executive and judicial developments reference OK expropriation indicate temporarily improved situation. No advantage can be seen in initiating any action which cannot attain a major objective and which might sting Argentina into reprisals especially if United States dependent on Argentina for supplies as indicated by recent telegrams such as Department's 1297 August 16, 10 p. m.[44] Our political position has been stated by the Secretary with full clarity and if August 26 policy [44a] is to be left substantially unmodified isolated punishment measures by United States alone would tend merely to play into the hands of our enemies and to promote Great Britain's postwar trade position in Argentina at our expense.

REED

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[44] Not printed.

[44a] See memorandum revised as of August 26, 1943, *Foreign Relations*, 1943, vol. v, p. 492.

835.01/9–944 : Telegram

The Chargé in Argentina (Reed) to the Secretary of State

BUENOS AIRES, September 9, 1944.
[Received September 9—3 : 10 p. m.]

2343. In press conference last night Peluffo stated that impression created by your statement [45] day before yesterday regarding possible asylum in Argentina for Axis war criminals was disagreeable, that it is absurd to think Argentina would be selected as haven by Axis refugees, that a direct attack by you unusual in diplomacy was repeated against Argentina and particularly its government against which you reiterate your discrimination, and that there must be grave errors of opinion and understanding unless you were misquoted. It is absurd to accuse Argentina of being center of Fascist movement infecting other countries of continent, he asserted, adding that no such thing exists here, the ideology having been officially and in practice repudiated by Argentine people and Government, and that permanent presence of an accusing finger can only disturb serenity of Argentine political conduct.

Regarding rumors of Argentine inspiration behind efforts to disrupt continental unity, Peluffo denied such inspiration saying Argentina authentic part of American bloc, and rejected all charges Argentina would mix into internal problems of other countries such as Brazil in violation of own philosophy. Asked whether you might have in mind some hidden Nazi organization operating here rather than meaning government itself sponsored pro-Nazi activities, Peluffo replied that if this were so government would surely sooner or later discover such organization. Asked what he thinks you want, Minister said this is question Argentine government and people are asking themselves, since Argentina has complied with all commitments and repeatedly shown its desire for continental harmony, its fraternal feelings towards neighbors and its comprehension of and respect for their problems. He went on to deny anti-Semitism exists in country and challenged reporters to discover here anything like restricted zones which exist for racial reasons in other countries. Reporter promptly inquired in an aside if he referred to Harlem but he evaded reply, no mention of question being carried in official release.

Peluffo voiced surprise you should have indicated doubt about formal nature of García Arias [46] statement on Axis refugees since statements of diplomats if not at once disavowed [by] their government

[45] In his press conference of September 7, 1944, Secretary of State Hull indicated that evidence would be necessary for him to believe that Argentina would not provide an asylum for Nazi war criminals. The statement was given in response to a question concerning the transfer of Nazis to Argentina.

[46] Rodolfo García Arias, Argentine Chargé in Washington.

have weight of official pronouncements. He said with heavy sarcasm that Argentina has committed two unpardonable crimes: that those who accuse Argentina are mistaken in their choice of the true path to reach complete continental solidarity desired by all and that others who have realized this error reproach those who are mistaken, causing confusion. He ended by expressing confidence that misunderstandings will be cleared up and expressing hope that Argentina will continue always being country of peace.

Peluffo during conference referred to situation of Argentine diplomats in Europe whose exchange has been delayed by changed circumstances due to Allied advances, and also declared that Argentine gifts of food to Rome and Paris reveal true sentiments of country. These points were not included in official release published today, which is being forwarded by courier.[47]

REED

740.35112A/9–1244

The Chargé in Argentina (Reed) to the Secretary of State

No. 16037 BUENOS AIRES, September 12, 1944.
[Received September 19.]

SIR: I have the honor to attach three tables [48] listing construction contracts which the Argentine Government has awarded during recent months, and also in past years.

The attached figures were obtained from a reliable construction firm which was asked to review the construction situation with particular reference to the contracts awarded to German firms during recent months.

One of the reasons which led the Embassy to make the attached report was the impression obtained from our British colleagues here that previous information forwarded to the Department only went as far as May 1944, and that no recent information was available.

The figures supplied in the attached tables show that the Argentine Government has continued to aid German firms as late as July 1944. An analysis of Table No. I, which gives the figures of military construction contracts awarded since June 1944, shows that out of a total of 106,800,000 pesos awarded for barracks and air bases, German firms received 28,500,000 pesos of the contracts. Table No. II reviews the military construction contracts awarded during 1943, some of which are still unfinished, and shows that out of a total of 95,000,000 pesos worth of contracts, German firms received 39,000,000 pesos. Table No. III contains a list of contracts awarded to individual German

[47] Release as it appeared in *La Prensa* transmitted to Department from Buenos Aires in despatch 16003, September 9, 1944, not printed.
[48] Not printed.

construction firms and shows that a number of contracts were awarded to these firms as late as July 1944. Some of the earlier contracts listed in Table No. III have been included in previous reports forwarded to the Department.

The Embassy wishes to point out that while the information contained in the attached tables is believed reliable, it was obtained from a single non-official source and, therefore, although the Department may use the material as it sees fit in a confidential manner, it should not be considered as conclusive evidence.

Respectfully yours, For the Chargé d'Affaires
MERWIN L. BOHAN
Counselor for Economic Affairs

835.00/10–744

Summary Statement on the Situation of the Farrell Government [49]

BUENOS AIRES, October 7, 1944.

The situation of the Farrell Government and the whole "June 4 movement" has deteriorated to a critical extent, due to growing internal dissatisfaction and the pressure of events abroad.

Present atmosphere recalls that existing shortly before the Revolution of September 6, 1930.[50]

Since June 4 the Government's chief problem has been that it represented perhaps not more than 5 percent of the population, with most of the rest distrustful and more or less actively opposed to it, and also that it has been hopelessly divided into two fundamentally incompatible factions. It owes its continued existence to public inertia and the support of the Campo de Mayo garrison. Now both the inertia and the Campo de Mayo support seem to be disappearing.

The Campo de Mayo, since late August, has been rent with deep dissension, the situation becoming so bad at one point that civil war seemed possible between those who wanted the Government to change its policies and those who did not. The schism became acute when Perón broke much of the extremists' power. More recently the stormy atmosphere is reported to have given way somewhat to an uneasy feeling that the army is out on a limb and should crawl back as quickly as possible, a more conciliatory attitude toward the United States, a desire to get the army out of the Government, and a growing democratic spirit being noted recently in Campo de Mayo by an observer with connections among the garrison.

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[49] Copy transmitted to the Department as an enclosure to despatch 16317 of October 7, 1944, from Buenos Aires; received October 18.

[50] For correspondence on this revolution in Argentina, see *Foreign Relations*, 1930, vol. I, pp. 378 ff.

Perón having dealt successfully with the extremists and pro-Nazis, the Government is now faced with nascent revolt from the people and even some of the military. This revolt is caused by disgust and apprehension at the Government's ineptitude in office, the general realization finally that Argentina's international position is disastrous, and the loss of prestige resulting from the Government's passive attitude, which amounts to a confession of weakness if not guilty conscience in the face of recent buffetings received from the United States.

The change may or may not come soon, but at all events for the first time in a year the prospect of a return to institutional normality and international cooperation is in sight.

EFFORTS OF THE UNITED STATES TO ENLIST THE AMERICAN REPUBLICS AND THE UNITED KINGDOM IN A COMMON POLICY TOWARD ARGENTINA[51]

835.50/136a : Telegram

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

WASHINGTON, January 8, 1944—11 p. m.

39. This telegram constitutes an interim indication of discussions within the Department and with the British Ambassador[52] regarding policy with respect to Argentina.

On the economic side the Department has considered three principal phases of economic action:

(1) A complete cessation of economic intercourse between Argentina and the United States, the United Kingdom, Brazil, and as many other American republics as possible. In considering such a course the Department has discussed fully with representatives of the supply and shipping agencies the effect of cessation of imports from Argentina by the participating countries. It is clear that the most difficult problems would lie in connection with wheat and meat. There is plenty of wheat in the world, but much of it is immobilized in western Canada because of lack of internal railway facilities. The reorganization of international movements of wheat would also occasion great strains on United Nations shipping facilities, notably in the case of supplying Brazil. The loss of Argentine meat for any protracted period would necessitate violent shifts in British consumption from beef to pork even with drastic drains upon United States supplies, both of which as a practical matter seem out of the question. Fats and oils problems would be serious but less difficult, while cessation of procurement of other items such as hides and quebracho could be handled by consumer rationing.

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[51] See also correspondence on the withholding of recognition by the United States from the regime of Edelmiro Farrell, pp. 252 ff., and on the activities of the Emergency Advisory Committee for Political Defense, pp. 1 ff.

[52] Viscount Halifax.

The Department and the supplying and shipping agencies have concluded that in considering the possibility of foregoing Argentina as a source of supply the basic factors are the following: Argentine supplies could probably be foregone for a period of from three to six months subject to the following conditions and exceptions:

(*a*) that a complete resumption of Argentine shipments could be counted on at the end of that period;

(*b*) that we would not be faced during the period with the supply of any substantial part of areas to be liberated from the enemy; and

(*c*) that in the light of probable military demands for shipping there is considerable doubt that shipping could be made available to supply wheat to Brazil. For a period of from six months to a year the practical difficulties of the drastic rationing in the United States required to provide supplies for other areas, especially the U. K., and of the changes necessary in the British meat ration could probably not be surmounted, even though on a purely statistical basis this would be theoretically possible subject to the same conditions and exceptions. The opening of liberated area demand would bring such pressure on wheat and fats and oils that the supplies could not be provided if Argentina were not available as a source.

(2) A complete cessation of economic relations between the United States and Argentina involving a discontinuance of all our procurement, embargo on all exports to Argentina, and a general Treasury freeze not accompanied by a liberal license policy. To such a measure might be added collaboration of Venezuela and other oil producing countries in withholding supplies of petroleum. Possibly also War Shipping Administration could hold up coal imports from South Africa.

(3) A general freeze of Argentine assets accompanied soon after by license arrangements which would permit commercial trade at least. To this might be added the oil and coal measures mentioned in (2) above.

On the political side, the Department has considered the moral and psychological effects of the various economic measures mentioned above and the advisability of a strong statement of our position coupled with parallel statements by the British and other nations; the expulsion of Argentina from membership on the Committee for Political Defense; and the expulsion of Argentina from other inter-American economic organizations such as the Inter-American Financial and Economic Advisory Committee.

I have discussed all of these matters at considerable length with the British Ambassador, the Department has furnished him with considerable detailed information, and he is awaiting a definitive reply from London.

I am thinking at the present time of the possibility of making a scathing denunciation of Argentina's course with special reference

to the Bolivian situation,[53] and I have hoped that the British Government would make a somewhat similar declaration simultaneously.

I would appreciate your urgent comments *a*) on the possibilities of various types of action outlined in this message and *b*) on what might be included in the statement.

HULL

835.50/139 : Telegram

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

BUENOS AIRES, January 13, 1944—3 p. m.
[Received 7:25 p. m.]

105. Personal for the Secretary. I have carefully studied the various approaches to Argentine policy outlined in your telegram 39, January 8, 11 p. m. and I venture to suggest that in addition to the three courses of action mentioned therein, the following be considered:

1. A statement along the lines mentioned in my telegram 99, January 12, 9 p. m.[54]

2. An export embargo to be placed on shipments from Great Britain and the United States to Argentina except for consignments to industries directly engaged in war effort. Brazil to continue embargo on rubber and add pig iron; Chile to embargo sulphur, pig iron and copper; Venezuela, Peru and Ecuador to discontinue petroleum shipments (these shipments are mainly controlled by Shell and Standard interests). Sweden to discontinue shipment of steel products and other materials essential to Argentine industry.

It is felt that this policy would effectively disrupt Argentine industry within a period from 3 to 6 months and have a profound effect on present Argentine prosperity. It is, of course, an extreme step and as I have stated before while I feel that Argentine Government would find it impossible to refuse to sell meat or export surpluses of fats and oils, linseed, wheat and quebracho in retaliation for any economic sanctions adopted by the United Nations an alternative policy exists. This would be to embargo shipments of all products essential to Argentine economy from Great Britain and the United States along with the other suggestions mentioned in the first paragraph of number 2 above.

3. American ships to call at Argentine ports only for outbound cargo; British ships to follow course resulting from decision made in connection with number 2 above; Flota Mercante[55] to continue if desired to handle northbound movement of products.

4. Consignee control to be handled from Washington and certificate of necessity system in Argentina eliminated. This will be necessary under whatever policy is adopted since present system has no elasticity.

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[53] For correspondence concerning the recognition of the Bolivian revolutionary regime, see pp. 427 ff.

[54] *Ante*, p. 229.

[55] Argentine Government-controlled shipping organization.

5. All procurement except meat, eggs, sunflower seed oil and peanuts (which are covered by government to government agreements) to be confined (as is actually the case at present) to private purchases and every effort made to restrict purchases in Argentina to products which are essential to the war effort.

6. Orders to be issued by both American and British Governments to the effect that all statements emanating from official sources and referring to Argentina should be cleared through Foreign Office and State Department to preclude further references by procurement officials to the importance of Argentina in supply picture. Cooperation of press associations should also be sought to prevent transmission of similar statements appearing in such internationally known publications as the *London Financial News* and the *Wall Street Journal.*

7. The American and British Ambassadors to be recalled and the staffs of both Missions reduced to absolute minimum consistent with need for observation and reporting.

8. Argentina to be subjected to strict neutral controls covering shipping, communications, and finance by both Great Britain and the United States.

Whatever policy is decided upon I believe that the economic functions of the Embassy should be transferred to Washington insofar as may be possible. The present situation wherein the Embassy is expected to request favors of this Government one day and take punitive action the next is untenable.

ARMOUR

835.00/2418c: Circular telegram

The Acting Secretary of State to Certain Diplomatic Representatives in the American Republics [56]

WASHINGTON, February 25, 1944—noon.

For your information and possible use in conversations you may have with officials of the government to which you are accredited the following telegram sent at 1 a. m. today has been received from the American Embassy in Buenos Aires:

"I understand that President Ramírez [57] has presented resignation on grounds of health, apparently under pressure from nationalist extremist elements in Army. Situation at moment is extremely confused, but it would appear that these elements have staged successful counter move against those Ramírez was reported to have under consideration in my 517, February 24, 6 p. m.[58] General Farrell,[59] Colonel Perón [60] and other officers are reported in continuous conference at War Ministry. Colonel Velasco has assumed charge of

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[56] Sent to Brazil, Peru, Chile, Uruguay, Paraguay, Cuba, Ecuador, Venezuela, Colombia, and Mexico.

[57] Gen. Pedro P. Ramírez. For correspondence on relations between the Ramírez regime and the United States, see pp. 228 ff.

[58] Not printed.

[59] Gen. Edelmiro Farrell, Minister of War under Ramírez.

[60] Col. Juan Domingo Perón, Director of the National Department of Labor.

capital police headquarters and a Lieutenant Colonel Lagos of Posts and Telegraphs.

"A group of approximately 50 army personnel has moved into Union Telefónica Building, apparently to control telephone censorship."

STETTINIUS

835.01/157 : Telegram

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

BUENOS AIRES, February 26, 1944—11 a. m.
[Received 11:29 a. m.]

542. Since my talks with Brazilian and British colleagues (see Embassy's telegrams 534 February 25, 5 p. m.[63] and 533 February 25, 4 p. m.[64]) I have seen Mexican and Chilean Ambassadors.[65] Both were in agreement that situation called for consultation by other American Governments on question of recognition of new regime and I understand are so recommending to their Governments. Member of Peruvian Embassy feels the same way. I expect to see Benavides[66] today. He returned this morning from Uruguay. Chilean Ambassador read me a telegram to his Government in which he had already raised question of recognition. He was much impressed by Under-Secretary's statement to the press.[67]

Repeated to Montevideo, Rio de Janeiro, Santiago, and Lima.

ARMOUR

835.00/2423a : Circular telegram

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

WASHINGTON, February 26, 1944—8 p. m.

Please call upon the Foreign Minister of the country to which you are accredited and inform him that this Government has viewed with great concern recent events in Argentina resulting in the removal of President Ramírez.

It will be recalled that the Argentine Government itself admitted at the time of its rupture of relations with the Axis that Argentina was the center of a vast Axis espionage system working for the Axis[68]

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[63] Not printed.
[64] *Ante*, p. 252.
[65] Dario Ojeda and Conrado Ríos Gallardo, respectively.
[66] Marshal Oscar Benavides, Peruvian Ambassador in Argentina.
[67] February 25. The statement indicated that the Argentine overnight developments might, because of security considerations, call for an exchange of views among the American Republics. For text of release, see Department of State *Bulletin*, February 26, 1944, p. 205.
[68] For correspondence on the concern of the United States with Argentina's handling of espionage cases, see pp. 377 ff.

and in favor of subversive influences inimical to the safety of the Hemisphere. The circumstances under which the present regime seized power suggest that the maneuver was intended to prevent the cooperation of Argentina with her sister nations in the present grave military exigency, and to resume Argentine cooperation with the Axis powers. These developments raise the question whether this new regime would harm the Allied cause or be likely to encourage support of the Axis powers.

It is my belief that the Governments of all of the American Republics will desire to give thorough study to the question of whether these developments have resulted in a change in the Argentine Government through the use of force and constitute a threat to continental security. This Government believes that the provisions of the resolution adopted last December by the Emergency Committee for Political Defense at Montevideo [69] may well be applicable in this case and that a thorough exchange of information and views should take place on the attitude to be adopted by the American Republics toward the maintenance of diplomatic relations with the new Argentine regime.

For your information and also for transmittal to the Foreign Minister, the American Ambassador in Buenos Aires is being instructed, pending the exchange of views by the American Republics, to refrain from all acts which might be construed as carrying approval of the activities of the Argentine regime or as recognizing it.

You should report promptly to the Department the reaction of the Foreign Minister to this Government's attitude and any comments that he may make.

STETTINIUS

835.00/2423b : Circular telegram

The Acting Secretary of State to Certain Diplomatic Representatives in the American Republics [70]

WASHINGTON, February 26, 1944—9 p. m.

For your information and for such discreet use as you deem appropriate reports reaching the Department on the recent events in Argentina, indicate that President Ramírez' fall was the result of his attempt to take a firm stand against the GOU [71] members of his Government

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[69] Resolution XXII of the Emergency Advisory Committee for Political Defense of December 24, 1943, which concerned the question of the recognition of new governments instituted by force. For text, 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.

[70] Sent to Panama, Venezuela, Nicaragua, Mexico, Honduras, Haiti, El Salvador, Guatemala, Bolivia, Colombia, Costa Rica, Cuba, Dominican Republic, and Ecuador.

[71] Grupo de Oficiales Unidos, a group of young army officers among whom was Perón. They appear to have used the slogan: "Gobierno, Orden, Unidad."

and that in spite of the public declaration of Perón that there would be no Cabinet changes, Ramírez' closest adviser in the Cabinet, Sueyro,[73] is also reported to have resigned. Although it has not yet been possible to obtain from Ramírez himself a true story of what happened, circumstantial evidence seems to indicate that Ramírez was forced to resign. Later the ex-President's adversaries, realizing that if this fact became known abroad, the maneuver might be interpreted as a *coup d'état* and the question of recognition would be raised. A new formula was, therefore, conceived. This consisted of Ramírez' "delegating" his authority to Farrell and the press was instructed by the police to make no reference to "resignation". Announcement of Ramírez' need for rest et cetera was used to substantiate the new formula. Prior to the receipt of the police instructions against reference to resignation in the press, several of the early editions had carried the story of Ramírez' resignation.

According to Ambassador Armour, the situation remains confused and further developments may be expected.

STETTINIUS

835.00/2509 : Telegram

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

SANTIAGO, March 3, 1944—midnight.
[Received March 4—9 : 10 a. m.]

406. Attention Bonsal [74] and Lyon.[75] Following conversation with Bonsal this evening the Counselor [76] again spoke with Fernández [77] and pointed out, without criticizing directly Fernández' action in ordering his Ambassador in Buenos Aires to acknowledge the Argentine Foreign Office's notification of Farrell's accession to the Presidency, that this action would be interpreted in the States as a break in the practice of continental consultation. Fernández argued that consultation did not enter into this situation since Farrell's accession was apparently a legal succession particularly in view of the fact that Farrell had announced he would follow out Ramírez policy of continental solidarity against the Axis. He said that if there were any change in the situation there that Chile would immediately engage in consultation with us, but until a change in the Argentine situation did occur, there was no ground for delay and consultation. He asserted that the acknowledgment of Farrell's accession was purely

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[73] Adm. Benito Sueyro, Minister of Marine and Acting Minister for Foreign Affairs.
[74] Philip W. Bonsal, Deputy Director, Office of American Republic Affairs.
[75] Cecil B. Lyon, Acting Chief, Division of West Coast Affairs.
[76] Donald R. Heath, Counselor of Embassy.
[77] Joaquín Fernández Fernández, Chilean Minister for Foreign Affairs.

conditional and, he argued, an action of no significance. In a later conversation Fernández said that it would be impossible to delay the delivery of the note of acknowledgment of the Argentine Foreign Office since arrangements for its delivery at noon tomorrow had already been made and were known.

During the evening the Chilean Under-Secretary for Foreign Affairs [78] made a statement to the press to the effect that the President [79] and Minister for Foreign Affairs for Chile considered that the Government of General Farrell is a continuation of that over which General Ramírez was presiding and therefore there was no occasion for a declaration of recognition or non-recognition of that Government.

He added that the Foreign Minister had said that General Farrell's statement this morning that he would continue the foreign policies of Ramírez had made an excellent impression in Chile and had been received with satisfaction.

Repeated to Buenos Aires and Rio.

BOWERS

835.00/2528c: Circular telegram

The Acting Secretary of State to the Diplomatic Representatives in the American Republics Except Argentina, Bolivia, and Chile

WASHINGTON, March 4, 1944—7 p. m.

The Acting Secretary's statement [80] regarding the Argentine situation is being telegraphed to you *en clair*. You are requested to make this available to the Foreign Minister of the country to which you are accredited as soon as possible. You should state to the Foreign Minister that the Acting Secretary is confident that this statement reflects a policy acceptable to the other American republics as a means of strengthening continental solidarity and furthering continental security. You should state, in your discretion, that the Department would welcome some public expression along similar lines from him. The Department leaves to your discretion the extent to which you should go in urging any public action upon the Foreign Minister but feels that such action would be extremely helpful in the present circumstances.

The Department felt obliged to take prompt action by issuing a statement in order to clarify its views as a result of the rapidly moving developments.

STETTINIUS

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[78] Marcelo Ruiz Solar.

[79] Juan Antonio Ríos Morales.

[80] This was a press release of March 4 announcing a policy of non-recognition of the Farrell regime. For text of the statement, see Department of State *Bulletin*, March 4, 1944, p. 225.

835.01/201a : Telegram

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

WASHINGTON, March 7, 1944—9 p. m.

761. In view of the delicate situation in Paraguay, Ambassador Frost has been instructed not to urge the Paraguayans to issue a statement but to limit himself to urging that they refrain from recognizing present Argentine regime pending further developments. The Department's telegram of March 6 to Montevideo,[81] which was repeated to you, was also repeated to Frost.

STETTINIUS

835.01/202 : Telegram

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

BUENOS AIRES, March 8, 1944.
[Received March 8—5 : 38 p. m.]

675. Foreign Office announces that Paraguayan Ambassador informed Acting Minister of Foreign Affairs [82] this morning that relations of his Government with Argentine Government were continuing without interruption since there was no reason to consider that they had ever been suspended.

Repeated to Asunción.

ARMOUR

835.01/207 : Telegram

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

ASUNCIÓN, March 8, 1944—noon.
[Received 9 : 25 p. m.]

143. Argentine Ambassador [83] has officially requested Paraguayan declaration of recognition. Foreign Minister [84] believes that refusal would constitute act of defiance. He is delaying until noon March 9 on pretext of consulting Cabinet. He also expects to receive official statement from Aranha,[85] March 9. He renewed his statements that Clorinda and Formosa [86] are filling up with Paraguayan exiles ready to take part in a possible revolt here. Paraguay has suspended

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[81] Telegram 132 (not printed), instructed Ambassador Dawson in Montevideo to urge the Uruguayan Government to refrain from recognizing the Farrell regime and indicated the belief that Ramírez was removed because of breaking relations with the Axis (835.01/199b).

[82] Gen. Diego I. Mason.

[83] Luis S. Castiñeiras.

[84] Luis A. Argaña.

[85] Oswaldo Aranha, Brazilian Minister for Foreign Affairs.

[86] Towns on the Argentine side of the Paraguay–Argentina boundary.

traffic with Clorinda. On 7th instant Argaña telegraphed his Ambassador Buenos Aires [87] to protest to Argentine Government regarding its tolerance of preparations by Paraguayan enemies of Morínigo [88] government.

Argaña also states that Brazilian Ambassador [89] has recognized impracticability of rejection by Paraguay of Argentine demand and has telegraphed Aranha advising acceptance of following declaration by Paraguay formulated by Argaña yesterday.

"It is the intention of the Paraguayan Government to continue its relations traditionally cordial and friendly with the Argentine Government. Such relations will remain inalterable so long as the position of Paraguay does not impair in this respect the supreme interests of the continent, its security (America) in the face of the actual world conflict and the spirit of fraternity of the Americas."

He emphasized that the conduct of Chile [90] and Argentina's formal demand constitute two new vital complications. I pointed out that his instructions to Pecci at Buenos Aires to lodge a complaint with the Argentine Government constitute recognition. Without admitting this, he declared that it is now too late for the instructions to be canceled and, moreover, that the danger of a coup aided by Argentina such as the Villarroel [91] coup in Bolivia seems very imminent.

Department's telegram No. 70, March 7, 7 p. m.[92] evoked his warm appreciation.

Brazilian Ambassador believes that a joint visit by himself and me to Argaña on the morning of March 9 may result in delaying the publication of the Paraguayan declaration an additional 24 hours, i. e. to March 10.

Repeated to Montevideo, Buenos Aires.

FROST

835.01/218 : Telegram

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

ASUNCIÓN, March 9, 1944—10 a. m.
[Received 1 : 51 p. m.]

146. Argaña summoned me to say that Pecci did not make statements placed in his mouth by the Argentine Government. Pecci was

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[87] Francisco Pecci.
[88] Higinio Morínigo, President of Paraguay.
[89] Lafayette de Carvalho e Silva.
[90] Reference is to Chile's recognition of the Farrell government; see telegram 406, March 3, midnight, from Santiago, p. 294.
[91] Maj. Gualberto Villarroel, head of a revolutionary junta in Bolivia. For correspondence on the problem of recognition of the Bolivian regime, see pp. 427 ff.
[92] Not printed; it indicated that the Department did not expect a public statement of position on the Argentine situation by Paraguay (835.00/2528a).

authorized to continue treating certain necessary negotiations previously initiated regarding surveillance of Paraguayans living in Argentina, export from Argentina of potatoes and vital supplies et cetera. Argaña considers that by limiting Pecci to subjects already under discussion he did better than British Foreign Minister who limited British Ambassador to "ordinary subjects".

Argaña declares that formula telegraphed in my 143, March 8, noon, will be issued by Paraguay tomorrow, March 10. This delay is due to efforts of Brazilian Ambassador who has worked with much intelligence and tact.

Repeated to Montevideo and Buenos Aires.

FROST

835.01/212 : Telegram

The Ambassador in the United Kingdom (Winant) to the Secretary of State

LONDON, March 9, 1944.
[Received March 9—9 :24 p.m.]

1930. Following is official Hansard text [93] of statement made in House of Commons yesterday by Mr. Eden,[94] in reply to query as to whether it was Government's intention to maintain relations with the present Government of Argentina:

"On February 25 it was announced in Buenos Aires that, 'fatigued by the intense tasks of government,' President Ramírez had delegated his functions to the Vice-President, General Farrell. In view of the obscurity surrounding the circumstances in which this announcement came to be made, His Majesty's Ambassador [95] has, since that time, confined his communications to the Argentine Government to routine matters only, and a similar procedure is being observed as regards communications between His Majesty's Government and the Argentine Ambassador in London. This attitude will be maintained pending developments in Buenos Aires. I might add that His Majesty's Government attach particular importance to definite action being taken to fulfil the declarations made by General Mason on February 28 and General Farrell on March 3 that the foreign policy of General Ramírez will be continued unchanged. The House will observe this attitude corresponds to that taken up by the United States Government, with whom we are of course in close and constant contact on this matter."

Asked when he might make a full statement concerning Argentine affairs Foreign Secretary said he thought the statement he had just made was as complete as he could make "about an indefinite and incomplete situation".

WINANT

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[93] *Parliamentary Debates*, House of Commons, 5th series, vol. 397, col. 2028.
[94] Anthony Eden, Secretary of State for Foreign Affairs.
[95] Sir David Kelly.

835.01/219 : Telegram

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

BOGOTÁ, March 9, 1944—7 p. m.
[Received March 10—3 a. m.]

455. Foreign Minister [96] has just informed me that Colombian Government has instructed its Chargé d'Affaires in Buenos Aires [97] to have no relations with the Argentine Government and to say nothing regarding his instructions. Lozano said that he had received telegrams regarding the attitude of 18 Governments and that the majority of the replies indicate an intention not to enter into official relations with the present Argentine regime but at the same time a desire to make no public statement. Lozano said that while Colombia in conformity with majority would make no public statement at present it would gladly modify its position at a later date if it were convinced that such a step might have a practical effect and provided the majority of other American Governments are in agreement.

Lozano read to me rapidly the replies from various Colombian representatives which I summarize as follows:

Guatemala—will take no step towards recognition.

Havana—will not recognize and will instruct representative at Buenos Aires to do nothing to imply recognition.

San José—will not recognize.

Panama—instructions sent to Panamanian representative not to enter into contact with Argentine Government.

Quito—no reply yet received from Colombian telegram.

Caracas—will not recognize but will make no public statement.

Lima—because of very cordial relations with Argentina, Peruvian Government does not wish to take any action which might create ill will. It has, however, instructed Peruvian Ambassador at Buenos Aires not to acknowledge note from Acting Foreign Minister regarding General Farrell's assumption of power. Peruvian Government apprehensive regarding resulting tension between Argentine and United States Governments.

Rio de Janeiro—Brazilian Government will not recognize and has instructed Brazilian representative [98] to have nothing to do with new regime. It has instructed representative, however, to keep these instructions strictly confidential.

Buenos Aires—Colombian Chargé reports demonstrations favorable to Chile and unfriendly towards United States. Adds that anti-United States feeling growing strongly. He quotes Acting Foreign Minister as stating that Argentina will sincerely comply with its

[96] Carlos Lozano y Lozano.
[97] Enrique Vargas Nariño.
[98] José de Paula Rodrigues Alves.

obligations for the defense of the continent and that this is the fundamental policy of Farrell's Government. Acting Minister quoted as saying that Argentine Government desires to reach understanding with the United States as soon as possible.

Washington—Turbay [99] reported having consulted colleagues who in majority stated their governments would not recognize but would make no statement.

Lozano asked me in summing up to inform the Department that Colombia regards its relations with Argentina as "in suspense", and as evidence thereof has not requested the agreement of Alfonso Araújo as Colombian Ambassador. Without wishing to imply that Minister's statement is incorrect, it is pertinent to state that according to Araújo himself he has no intention of going to Buenos Aires nor has he ever had such an intention. The fact that the Colombian Government has not requested his agreement may therefore have no relation to the present international situation.

LANE

835.00/2659a : Circular telegram

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

WASHINGTON, March 15, 1944—7 p. m.

It will be recalled in the Department's circular of February 26, 8 p. m. it was stated "that the Argentine Government itself admitted at the time of its rupture of relations with the Axis that Argentina was the center of a vast Axis espionage system working for the Axis and in favor of subversive influences inimical to the safety of the Hemisphere. The circumstances under which the present regime seized power suggest that the maneuver was intended to prevent the cooperation of Argentina with her sister nations in the present grave military exigency".

The general understanding at that time concerning the withdrawal of President Ramírez under pressure now appears to have been confirmed by a letter dated March 9, 1944 addressed by President Ramírez to the people of Argentina and to General Farrell. This letter clearly indicates that President Ramírez' withdrawal was neither voluntary nor premeditated in as much as he was asked to delegate the mandate to the Vice President on February 25. Furthermore the letter implies that the group now in control of the Argentine Government was not only opposed to a break of relations with the Axis but was anxious to overlook the existence of Axis espionage in Argentina. A copy of

[99] Gabriel Turbay, Colombian Ambassador in the United States.

this letter [1] is being forwarded by airgram in the event that it has not been published or received locally.

These circumstances give increasing reason to believe that recent developments in Argentina cannot be disconnected from the problem of hemispheric security.

You may convey these views orally and informally to the Foreign Minister.

HULL

800.20235/431b : Circular airgram

The Secretary of State to the Diplomatic Representatives in the American Republics Except Argentina, Bolivia, Chile, and Paraguay

WASHINGTON, March 21, 1944—7 : 30 p. m.

The following background information concerning Axis activities in Argentina is being sent to you for your information and possible use in conversation with authorities of the government to which you are accredited but not for transmittal in writing to the Foreign Office:

The most conspicuous example of direct aid given Axis interests by agencies of the present Argentine Government is in the case of *El Pampero*, the pro-Nazi newspaper. *El Pampero* is known to have received funds from the German Embassy over a period of several years. The day after Argentina severed relations with the Axis, the editor of *El Pampero*, Enrique P. Oses led a group of persons who personally protested the act of the Government. Oses was arrested but almost immediately released. *El Pampero* denounced the break editorially and the paper was suspended because of its criticism of the government. Within a week, however, it was replaced by *El Federal*. The latter retains the same editor and has the same format. It is issued from the same office and distributed under *El Pampero's* old mailing permit. Newsprint for *El Pampero* and *El Federal* was supplied by the Ministry of Agriculture headed by Diego Mason. This Ministry has been buying 300 tons monthly of locally manufactured newsprint which it has sold at less than current market prices to these and other pro-Nazi papers. *El Federal*, like its predecessor *El Pampero* received paid advertising from the Ministry of Agriculture, the Municipality of Buenos Aires and the Postal Savings Bank. Since February 25, Colonel Diego Mason has been Acting Foreign Minister as well as Minister of Agriculture.

The German firms in Argentina, as is well known, have contributed funds to the German Embassy for Nazi propaganda purposes over a

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[1] See telegram 698, March 11, 7 p. m., from Buenos Aires, p. 262.

period of many years. About 80 per cent of the funds so used in Argentina were from Argentine sources, the remaining 20 per cent being supplied from sources in Germany. Due to the declining fortunes of the Reich in the war it became apparent last fall that the German Embassy was finding it increasingly difficult to secure these contributions. But when there were indications that President Ramírez might for whatever motive break relations, German firms, realizing that they would then be in danger of being expropriated by the Argentine Government in the process of implementing the break of relations, began to cooperate voluntarily with the German Embassy in an effort to protect their own interests. Thus in the past few months it seems apparent that more money than ever has been spent by German interests in Argentina in a desperate effort to influence the leaders of the Argentine Government. These funds have been supplied with two objects in view: (1) the business interests are willing to do anything to win self-preservation, (2) the German Embassy is taking advantage of this willingness with the object of preserving a foothold in Argentina so as to make that much of South America a haven where Nazi strength may eventually be renewed, even though Germany is defeated in Europe. There are several documents substantiating this claim in the form of directives and information sent from the Embassy to German groups.

The case of *El Pampero* also illustrates the foregoing. A few months ago *El Pampero* proposed the liquidation of a newspaper employees' pension fund. This would have released for return to the newspapers money held by the Government, of which *El Pampero* evidently was in need.

While it can not be proven, it is generally accepted as true that long-established German firms have transmitted funds to Argentine officers through the system of bribes, kickbacks, loans, over-drafts and many other kinds of favors so that these firms are in a position to exert tremendous pressure on certain Army officers. An illustration of the friendly relations existing between Argentine Army officers and important German firms is seen in the case of Colonel Perón himself. Shortly after the break of relations, Colonel Perón visited the Bayer Company plant where, after making a minute inspection, he was honored at a luncheon attended by the entire personnel. His speech on that occasion indicated a friendly attitude toward this extremely influential German-owned company. While it is unnecessary to review the well-known history of activities of this and other German firms as semi-official agencies working in the interest of the Nazi party and the German Government in Argentina, it is of interest to note that Heinrich Vollberg, the former gauleiter of the German business community in Buenos Aires, began his career as an employee of the Bayer Company.

Also illustrating the close relationship existing between Argentine Army officers and German firms is the well known fact that when bidding has opened on Army construction jobs, the Germans usually have known so much about details of the construction in advance that they have been able to bid much more closely than their competitors and still be sure of a profit.

For the past three years the Argentine Government has acted in negotiations in order to favor and aid Proclaimed List firms.[3] Government authorities have openly and deliberately circumvented the provisions under which American merchandise has been released for Argentina by forcing our accepted dealers to transfer materials to Axis companies. The Ministry of Agriculture under Diego Mason has been conspicuous in such activities, likewise the Ministries of War and Public Works, the latter now under General Pistarini.

Due to the protection accorded them by these Government agencies, the firms in Argentina having closest connections with the German Reich during the past four years have been able to improve their financial situations and in some cases have doubled and even trebled their profits, as is proven by available comparative balance sheets of 21 representative German-controlled companies.

From January 31, 1942 to March 31, 1943, Argentine Government departments gave contracts to such firms totaling 34,000,000 Argentine pesos. Foreseeing the difficulties that these firms would have in obtaining certain materials needed for the execution of the contracts, the Government acted as an intermediary in order to obtain the necessary materials.

From January 1, 1942 to February 28, 1943, six Argentine Government agencies purchased material from German firms totaling 6,600,000 Argentine pesos. These firms did not have monopolies in any field. There are numerous specific examples of the means employed by the Argentine Government in order to secure release of materials for the use of German controlled firms. For example, the Ministry of Agriculture circumvented its own regulations regarding bids in order to give a contract for central heating to a Proclaimed List firm. In another instance a pro-Allied firm received a written order from the Ministry of Public Works requiring it to accept bids from certain Proclaimed List firms.

In September 1943 the principal tanning business on the Proclaimed List in Buenos Aires, owned by Ketelhohn Hermanos, was in a precarious condition due to lack of quebracho, supply of which was controlled by pro-Allied organizations. Two representatives of the Ministry of Agriculture called on the local quebracho manufac-

[3] For correspondence on the control of Axis interests in Argentine trade, see pp. 409 ff.

turers and under a law prohibiting hoarding of merchandise required them to show cause for their failure to deliver quebracho to Ketelhohn Hermanos. Soon afterward these firms received written requests from the Ministry of Agriculture for delivery of considerable quantities of quebracho extract to this tanning company.

Subsequently, it became known that the partners of Ketelhohn Hermanos openly boasted that through the aid of the Ministry of Agriculture they had forced pro-Allied firms to deliver merchandise and that by its intervention the Ministry had enabled them to build up large stocks of quebracho so that they would not suffer in the event Argentina broke relations with the Axis in the future.

Basilio Pertiné has been in the position of Mayor of Buenos Aires since June 15, 1943. He is perhaps the most outstanding pro-Nazi in the Government. In 1942 he was president of three major German companies and was director of Siemens Schuckert, whose branch in Argentina is regarded as a center of Nazi espionage. Pertiné attended artillery school in Germany and later was Argentine Military Attaché in Germany. He served in the German Army during World War I and was attached to the German General Headquarters. A letter in the files of the Argentine Committee Investigating Anti-Argentine Activities indicated that he maintained friendly relations with General von Faupel, President of the Ibero-American Institute of Berlin, the central office where the strategy for the German penetration of Latin America was prepared. General Pertiné was accused of pro-Nazi activity by the Committee Investigating Anti-Argentine Activities.

In 1942 the American Ambassador presented to the Argentine Foreign Office three confidential memoranda relating to Axis espionage activities [4] and gave to the Minister of the Interior a list of questions for the use of the police in questioning certain Axis agents. The police who were conducting the actual investigation were never given copies of these memoranda and the Minister of the Interior refused two offers made by the American Ambassador to cooperate in establishing the guilt of the agents in question.

During these investigations the Federal police allowed the suspects considerable freedom and opportunity to converse with one another and lodged them in offices instead of in cells. The police report following examination of the agents, revealed practically no information of value and the only individuals singled out for questioning were almost entirely exonerated.

In the meantime, however, the Provincial Police, not controlled by the Federal Police, independently secured the unexpected confession

[4] For communications concerning espionage activities of Nazi agents, see *Foreign Relations*, 1942, vol. v, pp. 186 ff.

of Hans Napp. His confession involved several of the persons mentioned in the Ambassador's memoranda who had been exonerated by the Federal Police. Afterward Napp stated that he had not expected to be questioned in view of the fact that he understood arrangements for his protection had been made with the Federal Police.

In light of the foregoing it is important to note that throughout the period in which the forces now in control of the Argentine Government have been gaining influence and consolidating their strength, special interest has been shown in increaseing the power and extending the jurisdiction of the Federal Police. As examples of this policy, it was reliably reported in November that Colonel Emilio Ramírez was preparing a secret police force based on the plan of the German "Hauswart". On December 24, the Government published a decree authorizing the Federal Police to act throughout the nation. The Federal Police now deal with matters pertaining to counter-espionage and sabotage, and are authorized to "guarantee the safety of persons and effects falling within inter-jurisdictional (international) commerce in order to prevent crimes." The Federal Police also are authorized to deal with specified crimes, especially those concerning foreign diplomatic and consular officials. Pro-Axis interests thus not only have a firm foothold in the Ministry of the Interior and the Federal Police, the exact points where all activities concerning foreign agents must converge, but also have succeeded in so expanding and defining the powers of the Federal Police as to place the pro-Nazi officers heading that department in a position of complete control over everything pertaining to the detection, apprehension and prosecution of foreign agents, whether private individuals or consular or diplomatic officers, throughout the entire country.

HULL

835.01/300

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

WASHINGTON, March 21, 1944.

MY DEAR MR. AMBASSADOR: Thank you for your letter of March 14, 1944 [5] with your explanation of Chile's action in recognizing the Farrell regime in Argentina. Your views in regard to the events as well as the personages concerned were, as always, interesting.

Yesterday the Chilean Ambassador [6] called upon me to discuss the same situation. You will be receiving by the customary means a copy of the memorandum [5] of my conversation with him. In this you will

[5] Not printed.
[6] Rodolfo Michels.

note that in my opinion the Argentine Government is now attempting to invoke the doctrine of intervention [*non-intervention?*] to protect itself while at the same time it pursues a policy of supporting the Axis Powers. Ambassador Michels attempted to explain his Government's action as being due to haste. I replied that the Chilean Government is considered by other nations as most astute and consequently they would be slow to believe that Chilean statesmen would be intimidated by Argentina into hasty action. Moreover, I said that Chile appears to have placed itself in a false position and I expressed the hope that his Government would take every occasion afforded to destroy the bad impression created by its action. I think you should waste no opportunity to impress this point of view on the Foreign Minister, especially if, as you claim, he appears anxious to make amends.

I am of your opinion that no improvement would be gained by his being replaced by a member of the Radical party. However, I do not see that this is a matter in which we can intervene and while it may be hoped that he continues in office, the final decision on that is not in our hands.

I am at a loss to understand any feeling on the part of Fernández that he has been let down on understandings which he received in Washington. If there has been any letting down of late we are not the offenders. I have had the Department files covering his visit to Washington carefully reviewed and have reached the decision that officials here were scrupulously careful to avoid any commitments which have not been honored. I know I myself said nothing to the Foreign Minister which he could have misinterpreted. I sympathize with his having to report to his Congress in the near future with little that he may consider on the credit side of his ledger. However, in these tragic days his position is not unique.

In reading your letter and telegrams I wonder whether you have gone to sufficient pains to emphasize the gravity of our position. The United States is engaged in a titanic struggle for its very existence. Other of the American republics have met us more than half way and are sharing our burdens. While the Chilean people have given constant indications of their wholehearted sympathy for our cause and desire to aid us, I cannot honestly say that the record of the Chilean Government impresses me in an equally favorable light.

I of course look forward very much to receiving your impressions of our status vis-à-vis Chile, the difficulties which you envisage, and suggested remedies. Whether or not the Chileans appreciate it, we here in the Department have a deep interest in Chile and its problems. Naturally, under present conditions it is not possible for us to do all that they probably think we should. However, we will continue to try and trust that a sincere and helpful approach on our part will

result eventually in a Good Neighbor policy in which Chile bears its share.

With best wishes, I am
Sincerely yours, CORDELL HULL

835.01/313 : Telegram

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

BUENOS AIRES, April 1, 1944—1 p. m.
[Received 4: 33 p. m.]

887. In attempting to analyze the situation as it now stands with respect to our relations with this regime, it seems to me that certain fundamental factors must be kept in mind.

1. The question is essentially one involving the whole future of American continental solidarity and cooperation and the Argentine situation must be considered in connection therewith.

2. The situation cannot and will not remain static: We must decide upon our course of action and adhere to it.

3. There is considerable indication that various countries particularly Brazil (Rio's telegram 1202, March 31, 10 a. m.[8]) and Uruguay which is being subjected to increased political and economic pressure by Argentine regime are not prepared to hold out on recognition issue much longer unless some definite course of action is decided upon.

4. The developments in Bolivia which the Department is in the best position to appraise might suggest possibility of diplomatic relations with Bolivian regime (I note that press now reports resignation of Paz Estenssoro and other remaining member of PNR [*MNR*][9] from Junta and preparations to hold elections). In my opinion reestablishment of relations with a government in Bolivia would offer excellent opportunity for counteracting subversive activities of pro-Nazi elements here and in other American countries. Favorable action on Bolivia following their housecleaning and calling of elections might well encourage similar action here while continued failure to recognize Bolivian Junta after steps they have taken may have discouraging effect on local situation.

5. As a corollary every effort should be made to extend economic assistance to Uruguay immediately and openly in view of extent of economic pressure now being brought to bear upon it by Argentine regime. I understand that all export permits for Uruguay have been held up since end of February and include those covering chlorine for Uruguayan water purification. Information on this situation available here has been transmitted to Montevideo. Uruguayan Consul General[10] states that he has personally written to America stressing seriousness of situation. Despatch on subject going forward today.

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[8] Not printed.

[9] Victor Paz Estenssoro was the founder and leader of the Movimiento Nacionalista Revolucionario. He was Minister of Finance under the Junta.

[10] Luis Enrique Azarola-Gil.

I am inclined to believe that action along the lines suggested is more calculated than any other step (short of complete and immediate economic sanctions) to bring regime here to its senses and would probably have support of other American Governments as indicated in Caffery's 1202.

ARMOUR

835.01/385 : Telegram

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

MONTEVIDEO, May 17, 1944—8 p. m.
[Received 10:33 p. m.]

459. Serrato [11] tells me that Argentine Government is making strong effort to induce diplomatic representatives to attend *Te Deum*, banquet and gala performance on May 25, that Armour and Kelly have been approached through Apostolic Nuncio [12] and that arguments used include recent decree militarizing ports, arrangements being effected for departure of Axis diplomats and fact that absence of Diplomatic Corps at functions would be expedited [*exploited?*] by Nationalists.

Serrato believes that efforts should be made to end the present impasse and that it is time to change tactics since those employed thus far have not proved effective. He said that firm policy had not been followed through and that Argentina has not been really hurt thus far. Emphasizing his advocacy of a change of tactics, he said that he personally feels that diplomatic representatives should attend the three functions May 25 as a gesture which would strengthen the hands of the pro-Allied group in the Cabinet composed of the Ministers of Marine, War and Foreign Affairs particularly the first two.

He said that while he favors attendance, if the United States and Great Britain and Brazil all decide against, Uruguay will align itself with them.

Serrato told me that Ibarra García [13] accompanying the widow of Rodrígues Alves [14] was in Montevideo yesterday and spent 2 hours with him. Presumably his estimate of the situation is based to a considerable extent on statements of Ibarra García whom he considers very intelligent and pro-Ally.

Serrato would appreciate information as to our position as soon as possible.

Repeated to Buenos Aires and Rio de Janeiro.

DAWSON

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[11] José Serrato, Uruguayan Minister for Foreign Affairs.
[12] Giuseppe Fietta.
[13] Argentine Under Secretary for Foreign Affairs.
[14] Deceased Brazilian Ambassador to Argentina.

835.01/412 : Telegram

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

BUENOS AIRES, May 22, 1944—5 p. m.
[Received 8 : 12 p. m.]

1287. Mexican Ambassador has received word from his Government they are calling in Argentine Chargé d'Affaires [15] (or have already done so) to inform him they would be glad to have their Ambassador attend all functions on May 25 provided Argentine Government gives assurances they will not attach political significance to this in sense of recognition which it is not the intent of the Mexican Government to give it. Ozeda [*Ojeda*] announced this at luncheon of several American colleagues called to discuss our position in view of invitations to attend all functions. It was decided by all present except Mexican who is awaiting further orders to send cards accepting *Te Deum* but to take no action on other invitations until I have seen Peluffo [16] which I told them in strict confidence I hoped to do tonight or tomorrow. I warned them my talk with Peluffo would in no way change my position in not attending dinner and Colón [16a] but they seemed to feel I might be able to persuade Peluffo to withdraw invitations to functions other than *Te Deum* and thus not force them to go on record as declining. I explained that object of my call was not to discuss May 25th ceremonies (although it will probably come up) but more fundamental questions and that my visit which came at suggestion of Peluffo was not to be interpreted in any way as a move towards recognition.

Peruvian Ambassador told me confidentially his Government is consulting Washington and Rio to ascertain whether a way can be found to attend all functions without implying recognition on ground May 25 [17] is not alone an Argentine anniversary but one of all America.

I found colleagues very nervous and fear that if Mexico breaks the united front there may be a stampede.

Repeated to Rio, Montevideo, Lima, Mexico City.

ARMOUR

835.01/464a : Telegram

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

WASHINGTON, May 22, 1944—7 p. m.

833. Reports from our other missions indicate intention on part of most other American Republics to abstain from attendance at other

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[15] Carlos Alberto Pardo.

[16] Gen. Orlando Lorenzo Peluffo, Argentine Minister for Foreign Affairs.

[16a] i.e., the Colón Theater in Buenos Aires.

[17] On May 25, 1810, a revolutionary junta was organized in Buenos Aires to supplant the viceroy, and this day is recognized as independence day for the Argentine Republic.

than religious ceremonies in Buenos Aires on May 25. However, Peruvian Chargé d'Affaires [18] stated today that his Government intended to authorize its Ambassador to attend official banquet as well as *Te Deum* services, on theory that no distinction could be made between them since invitations for both functions came from Argentine authorities. He added that important thing was to make clear to Argentine authorities that in either case attendance did not constitute recognition. It was pointed out to him that there was a distinct difference in that church ceremonies would be performed by priests in religious setting while banquet would be presided over by officials of Argentine regime and held in political atmosphere.

Mexican Foreign Minister,[19] while reiterating that Mexico stands firm on non-recognition policy until Argentine regime gives definite indication of compliance with inter-American obligations, has instructed his Ambassador in Buenos Aires to use own discretion as to what functions he will attend. Padilla expressed fear non-attendance might be considered insult to Argentine people.

Telegrams have been sent to Lima and Mexico City instructing our Ambassadors to review our position with the respective Foreign Ministers and to stress need for maintaining united front at this crucial stage in the face of Argentine efforts to use May 25 celebrations as means of achieving recognition on part of some, at least, of non-recognizing governments. Please keep in closest touch with your American and British colleagues with a view to assuring common action on this occasion.

HULL

835.01/439a : Circular telegram

The Secretary of State to the Diplomatic Representatives in the American Republics Except Argentina, Chile, Paraguay, and Bolivia

WASHINGTON, May 23, 1944—6 p. m.

Personal from the Secretary. Every informed person must agree that the present regime in Argentina by word and deed has demonstrated that it is inclined toward the Axis cause and has taken no effective action to implement the break of relations with the Axis decreed by the Ramírez Government on January 26.[20] In view of this basic fact I cannot conceive how any supporter of the Allied cause can consider for a moment extending recognition or material encouragement to that regime so long as this situation endures. The

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[18] Eduardo Garland.
[19] Ezequiel Padilla.
[20] For correspondence indicating United States interest in this action of the Ramírez government, see pp. 228 ff.

information received from the other non-recognizing American Governments indicates that they are in agreement with this point of view.

Nevertheless, at this moment the Argentine regime is resorting to every means at its disposal to precipitate recognition on the part of some at least of the other American Republics, thereby breaking the non-recognition front at a crucial moment in our fight against forces of aggression throughout the world. In particular it is evident that the Argentine regime, with a mixture of cajolery and threats, is seeking to make use of the ceremonies incident to the Argentine national holiday on May 25 as a means toward this end. The argument has been advanced that it would be a source of great embarrassment to Argentina, as well as to the diplomatic representatives of the other American Republics in Buenos Aires and through them to their Governments if they were not to attend the ceremonies. It seems to me incredible that it should be thought for a moment that such a consideration might prevail over the fundamental issue at stake. If the Argentine regime is embarrassed it has brought it on itself in embarrassing other American Governments and seeking thereby to achieve recognition. It is indeed immeasurably more embarrassing to the soldiers of the United Nations about to enter battle—much more embarrassing than it possibly could be to the Argentine regime in the face of the trivial embarrassment that it has brought on itself by deserting the cause of all freedom-loving peoples.

This is the single supreme question presented. Recognition relates solely to the war and its support by every American Republic. The ordinary rules of recognition have no relation to the present situation.

Mr. Armour has been authorized to attend the *Te Deum* services on May 25. This can be justified because of their religious character and national significance and as a gesture of respect and friendship toward the Argentine people; but no such justification exists for attendance at other purely political functions especially when representatives of the Argentine regime will preside.

Our information indicates that most of the other American Governments share this view and have instructed their diplomatic representatives in Buenos Aires accordingly. I desire that you again bring our point of view on this whole situation to the attention of the government to which you are accredited with all the emphasis at your command. I am communicating further on this subject with our Ambassadors in Mexico and Lima, in view of the indications we have received that those Governments may be disposed to authorize their diplomatic representatives in Buenos Aires to attend official functions on May 25 other than the religious services. Please keep me informed on all developments in this situation.

HULL

599-037—67——21

835.01/402 : Telegram

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

WASHINGTON, May 23, 1944—5 p. m.

1005. Personal from the Secretary for the Ambassador. I rely on you to bring home to Padilla the seriousness with which we view the current Argentine situation, and the necessity of maintaining a united front against the machinations of present Argentine regime designed to achieve recognition without first giving the definite indications of its compliance with inter-American obligations to which Padilla referred in his recent conversation with you. It would be deplorable, and would play directly into the hands of Argentine regime, if one or two diplomatic representatives of non-recognizing American Governments should attend political functions in Buenos Aires on May 25, while their remaining colleagues attend only the religious ceremony. I therefore earnestly hope that you may prevail upon the Foreign Minister to send urgent instructions to his Ambassador in Buenos Aires to accompany other American colleagues in attending only the religious services on May 25.

On the larger issues involved, please bear in mind the considerations set forth in my circular telegram of May 23, 6 p. m.[21] to our Chiefs of Mission in Latin America, and my No. 1000, May 22, 6 p. m.[22]

In discussing this matter with Padilla, I wish you would again express to him my sincere appreciation of his consistent and extremely helpful cooperation in the solution of the manifold problems that have confronted the American nations in the course of the present struggle against the forces of oppression, and my earnest desire to continue the closest cooperation with him in seeking a satisfactory solution of the present Argentine problem.

HULL

835.01/427 : Telegram

The Secretary of State to the Ambassador in Argentina (Armour)[23]

WASHINGTON, May 24, 1944—3 p. m.

Your 1305, May 23, 2 p. m. and 1308, May 23, 7 p. m.[24] In personal conversation with Ambassador Messersmith last evening Padilla explained that Mexican political and governmental practice did not permit him to instruct Mexican Ambassador to attend *Te Deum* services on May 25. He considered that this left no other course than to instruct the Ambassador to attend one of the other ceremonies in

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[21] *Supra.*
[22] Not printed.
[23] Repeated to Brazil, Chile, Colombia, Ecuador, Peru, Uruguay, and Venezuela.
[24] Neither printed.

order to avoid appearance of affront to Argentine people. The Ambassador would only attend other ceremony, however, on proper assurance that Argentine authorities would not regard it as implying recognition in any way. Instructions to foregoing effect are being sent to him and he is also being instructed to explain circumstances fully to his colleagues.

Padilla repeated previous statements that he would have preferred not to have his Ambassador attend any ceremonies. He reiterated strongly his feeling that there can be no question of recognition until such time as there are adequate, concrete acts by the Argentine regime to fulfill their inter-American commitments. In this connection he added that he had taken all safeguards against misinterpretation of attendance by Mexican Ambassador at some ceremony on May 25.

HULL

835.01/436 : Telegram

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

BUENOS AIRES, May 24, 1944—7 p. m.
[Received 7:01 p. m.]

1320. While Mexico's decision to break united front of non-recognizing countries by attending all functions connected with May 25 celebration has fortunately not caused further defections, it will undoubtedly make position of other colleagues more difficult than ever since argument can now be put forward that if Mexico can attend without implying recognition why cannot the others. Prior to Mexican decision the issue was clear since practically all of my colleagues had agreed that our attendance at those functions would be exploited as a step toward recognition.

I presume Padilla realizes the effect of his action since it seems certain that as soon as Mexico's defection becomes known the Government controlled press here and the anti-Argentine press abroad will make the most of it each in its own way.

Repeated to Mexico City.

ARMOUR

835.01/518a : Telegram

The Secretary of State to the Ambassador in Ecuador (Scotten)[25]

WASHINGTON, June 15, 1944—7 p. m.

513. You will have seen from Buenos Aires telegram no. 1494, June 12,[26] that official Argentine release quotes texts of notes exchanged

[25] Repeated as telegram 976 to the Ambassador in Argentina for his information.

[26] Not printed.

between Ecuadoran Foreign Office and Argentine Ambassador in Quito thus confirming the conclusion in your no. 602, June 13,[28] that Ecuador is extending full recognition to the Farrell government. It is difficult for us to comprehend how this could have occurred after your conversation with Foreign Minister reported in your no. 561, June 3, 1 p. m.[29]

Please arrange to see Foreign Minister at once and point out serious implications of position apparently adopted by Ecuador directly contrary to non-recognition policy being followed by 17 other American Governments.

In view of official statement released in Buenos Aires please advise the Foreign Minister that some official clarification by Ecuadoran Government seems called for immediately. Such a clarification might take the form of an announcement that the Ecuadoran government does not intend to make a decision with regard to the appointment of an Ambassador to Argentina or with regard to carrying on normal diplomatic relations with the Farrell regime until it has had an opportunity for full consultation with the other American Republics.

HULL

835.01/524 : Telegram

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

[Extracts]

BOGOTÁ, June 20, 1944—7 p. m.
[Received June 21—3 : 40 a. m.]

1113. President López sent for me today in connection with conversation which he expected Ambassador Turbay would have with the Secretary this morning.

López said that he had instructed Turbay, in view of the fact that he had an appointment with the Secretary today, to take advantage thereof to express to the Secretary the President's views regarding the growing possibility of disunity in the American continent. . . .

. . . . . .

. . . It has been shown during the past months since the non-recognition of the Argentine Government that under present conditions with the war still going on Argentina can get along perfectly well without diplomatic relations with the majority of the other American Governments, and those governments can get along perfectly well without Argentina. When the moment of peace arrives however and Argentina because of her great European connections will again assume a preponderant role in American affairs, the fact

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[28] Not printed.
[29] *Post*, p. 1043.

that Argentina played a lone role throughout the war will give it a commanding position in continuing to play a leading role thereafter.

He said that there are three policies to follow with respect to Argentina: 1, to recognize and to say we forgive the past; 2, "to be tough"; 3, to continue the present policy which is neither one of the first two.

He said that Colombia has never been especially friendly with Argentina and that he has no illusions regarding the present government. Lopez said however that from a practical point of view he thought consideration should now be given to the relationship of the other American Republics to Argentina in the light of the changing European situation. He said that regardless of what one might wish to think, Argentina has a commanding position politically in South America especially in the south. He wondered whether it might not be preferable, in view of the imminent recognition of Bolivia, to reconsider the position of the continent towards Argentina, taking advantage of the present very favorable trend of events in Europe. . . .

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LANE

835.01/535a : Circular telegram

The Secretary of State to the Diplomatic Representatives in the American Republics Except Argentina, Chile, and Bolivia [30]

WASHINGTON, June 22, 1944—11 p. m.

During the eight years before the Axis movement of world conquest reached this Hemisphere, the American Republics devoted constant and earnest efforts to strengthen and perfect the system of inter-American cooperation. Immense progress was made and there was developed a spirit of unity and solidarity which inspired the hope that there would be common and united resistance against any external threat to the peace and security of the continent.

The spiritual foundation for the belief that the supreme test of unity in the face of aggression would be fully met by each of the twenty-one republics was afforded at the Eighth International Conference of American States in Lima in 1938,[31] when the American Governments reaffirmed their continental solidarity and proclaimed their determination to make that solidarity effective in case the peace, security or territorial integrity of any American Republic were threatened.

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[30] Text repeated on the same date to Buenos Aires (1018), Santiago (739), and La Paz (674). Text also repeated to London (4929).

[31] See Department of State Conference Series No. 50: *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). See also *Foreign Relations*, 1938, vol. v. pp. 1 ff.

The same spirit animated the Meeting of American Foreign Ministers at Panama, immediately after the outbreak of the war in Europe in 1939.[32]

Finally, at the meeting of American Foreign Ministers at Habana in July, 1940 [33] following the German occupation of France the American Republics raised to the juridical level their determination to maintain their solidarity against the threatened spread of Axis aggression to the western hemisphere, by solemnly engaging among each other:

"That any attempt on the part of a non-American state against the integrity or inviolability of the territory, the sovereignty or the political independence of an American State shall be considered as an act of aggression against the States which sign this Declaration."

Thus, when Axis aggression did reach this Hemisphere, the Foreign Ministers meeting at Rio de Janeiro in January, 1942 [34] were enabled, upon the binding bases for hemispheric defense already established, promptly to agree upon uniform measures in the military, political and economic fields which each republic should take for the collective security of all.

Firm adherence by all of the Republics to these principles would have established a solid tradition of hemispheric unity, the benefits of which would have been enjoyed by all of our peoples for generations to come. But when the real test came, the government of one of the republics, Argentina, elected to follow a separate and divergent course. By persisting in that course the government of Argentina has not only given aid and comfort to the declared enemies of all of the other Republics, but has seriously undermined the entire structure of Hemisphere solidarity. This is the fundamental issue on which the entire question of recognition of the Farrell government rests.

The large majority of the American Republics do not maintain relations with the government of Argentina because in refusing to join in the common defense against a common enemy, that government has jeopardized the security of the Hemisphere and destroyed the unity of the Americas at a crucial moment of their history. Any suggestion that the other American Republics should recognize the present government of Argentina on the theory that recognition

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[32] See *Report of the Delegate of the United States of America to the Meeting of the Foreign Ministers of the American Republics Held at Panamá, September 23–October 3, 1939* (Washington, Government Printing Office, 1940); and *Foreign Relations*, 1939, vol. v, pp. 15 ff.

[33] See *Second Meeting of the Ministers of Foreign Affairs of the American Republics, Habana, July 21–30, 1940, Report of the Secretary of State* (Washington, Government Printing Office, 1941); and *Foreign Relations*, 1940, vol. v, pp. 180 ff.

[34] 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); and *Foreign Relations*, 1942, vol. v, pp. 6 ff.

would help to advance the cause of Hemispheric unity after the war, breaks down completely when it is seen that the most compelling considerations of national safety and independence of each of the American Republics, including Argentina itself, have not moved that government to practice unity in time of war.

Dictated by the demands of common interest in a time of the gravest emergency, when there is at stake the very continuation of their free and independent existence, the multilateral action of the non-recognizing governments has no relation to, and should not be confused with, the ordinary rules or procedure for recognition in time of peace. Any pretense that such collective action by the family of American nations constitutes intervention is without foundation and disregards completely the basis upon which all of the non-recognizing governments have predicated their action, to wit: the common defense and security of the continent. In truth, non-recognition in these circumstances is but a collective assertion that Argentina not only has not made her contributions to the common cause of the American nations, but on the contrary has given aid to the Axis enemy.

Since late in February this Government and the governments of most of the other American Republics have abstained from official relations with the Farrell government. A stock taking is now in order, having clearly in mind the principles to which I have referred. The following review is based upon a detailed study of all significant developments since Argentina broke relations with the Axis.

(1) On January 26 the government of General Ramírez announced the severance of relations with Germany and Japan. It predicated this decision upon the criminal espionage activities "directly chargeable to the governments of the Axis" which "infringe the national sovereignty, compromise the foreign policy of this (Argentine) government, and threaten the security of the continent." In public statements and in private conversations with diplomatic representatives repeated assurances were given by President Ramírez, Foreign Minister Gilbert, and other responsible spokesmen that prompt and energetic steps would be taken to repress Axis subversive activities and otherwise to implement the break in relations.

(2) But it very soon became clear that powerful elements within the government had determined to combat implementation and to nullify the break. On February 15 General Gilbert, who had played a principal part in the decision to break relations and subsequent efforts to implement it, resigned as Foreign Minister. On February 25 General Ramírez "delegated" his authority as President to General Farrell and some days later submitted his resignation.

(3) At this point, and by reason of this sudden turn of events, nearly all of the American Republics decided to refrain from normal

relations with the Farrell government pending an opportunity to determine the reasons for the change and the attitude of the new regime toward the Axis powers.

It has since been repeatedly and candidly admitted by members of the Farrell cabinet that General Ramírez and his principal collaborators were eliminated from the government by pro-Nazi, extremist elements because of the decision to break relations with the Axis.

(4) Consistently with these admissions, the Farrell government has declined to commit itself to implement the break. Indeed, it has disclaimed the relevance of Hemispheric defense considerations or commitments, and by repeatedly insisting that the rupture was the result of foreign pressure has implicitly disavowed any intention to honor it. That this is the true position of the Farrell government is fully established by its extensive record of friendly assistance to and tolerance of the Axis.

Axis diplomats and consular officers have been allowed the freedom of the country. German firms continue to receive affirmative aid from the government both through large new government contracts and through the requisitioning of critical materials from firms friendly to the cause of the United Nations. Whereas police activity and arrests looking toward repression of Axis espionage were briefly stimulated by the Ramírez regime immediately following the rupture, during the Farrell regime a large number of dangerous Axis spies and agents have been released. Consequently, Axis espionage activities are again widespread. Pro-Nazi papers with a large circulation, (*Cabildo*, *El Federal*, *La Fronda*), enjoy government support and government aid in obtaining newsprint, and have been carrying on a bitter anti-United Nations and pro-Axis propaganda campaign. This propaganda is exemplified by *La Fronda's* commentary on Allied landings in France: "It is most comforting that all peoples of the continent are closely grouped under the brilliant leadership of Hitler, who has been supernaturally transformed by developments into . . .[35] more than an intrepid defender of Germany, (namely) he is the defender of Europe."

(5) Despite this solid array of proof to the contrary, some elements in the Farrell government have occasionally protested a desire to see the break implemented. These same elements concede, however, that were they to make such an attempt, they would be struck down by the extremist elements in the cabinet and the military forces, as were Ramírez and Gilbert. This fact trenchantly reveals that the dominant power in Argentina today is held by pro-Nazi forces determined to enforce their desires.

[35] Omission indicated in the original telegram.

Most significantly, it is these very forces which control the most important ministries and agencies of both the Federal and provincial governments and are vigorously and rapidly installing, through control of the press, the schools, the courts, and similar key institutions, a domestic totalitarian system which fully complements and buttresses their pro-Axis international policy. Fundamental civil rights have either been destroyed completely or so modified as to be rendered meaningless. All of the government's powers are being employed to strike down democratic opposition to its vigorous totalitarian program. The most recent, and undoubtedly the most significant pronouncement of government policy was made on June 10 when the Minister of War publicly declared that the entire economy of the country, the life of all its people, must be dedicated to military rearmament. Perón frankly admitted that military force was to be the keystone of Argentina's international policy, in stating that "Argentina's diplomacy, as an instrument by which political objectives are attained, must possess the additional argument of its armed forces."

(6) Starting early in March, members of the Farrell government undertook through intermediaries to arrange interviews with various members of the diplomatic corps. During the past few weeks Ambassador Armour has participated in two informal discussions, on one occasion with Foreign Minister Peluffo, and on another occasion with Peluffo, Perón and Teisaire, the Minister of Marine. Mr. Armour has advised his colleagues of the American diplomatic corps, as he has reported to the Department, that little or nothing was accomplished since in both discussions Peluffo insisted that recognition must come *before* implementation and on the basis of Argentine *promises* of subsequent action. The same position has been expressed to other diplomatic representatives of the American Republics and to the British Ambassador.

(7) This Government is now satisfied that nothing can be gained by further discussions in Buenos Aires, and that there is real danger to the collective interest of the non-recognizing governments in the continuation of those discussions. The Farrell government has sought to divide the other American Republics by stimulating and encouraging any differences, however minor, that appear in the positions taken by our diplomatic representatives. By this means, as well as by resort to every kind of political and economic pressure, it has sought to obtain recognition without first implementing the break with the Axis. It is apparently confident that recognition on its own terms by one republic after another is only a matter of time, and regards the continued presence of our diplomatic representatives as a demonstration

of our willingness to re-establish relations regardless of implementation. This attitude was made manifest in connection with the recent May 25 celebrations in Buenos Aires and may be expected to result in further similar maneuvers in connection with forthcoming July 9 holiday.

(8) For the reasons I have set forth this Government has decided that the time has come to break the impasse. As a first step we are recalling Ambassador Armour for consultation. Shortly after Armour has reported fully to the Department we intend to initiate an exchange of views through ordinary diplomatic channels with a view to arriving at an understanding with respect to our future common course of action.

Please see the President and Foreign Minister at the earliest opportunity, advise them in full of our position as set forth herein, and state that in the opinion of this Government the attitude of the non-recognizing governments would be most forcefully brought home to the Farrell regime if all of the remaining Chiefs of Mission in Buenos Aires were recalled for consultation during the next two weeks. You should express my particular interest in receiving the views of the government to which you are accredited with respect to our position and the course of action outlined.

Repeated to Buenos Aires, Santiago, La Paz, and London for their information.

HULL

701.1035/a : Circular telegram

The Secretary of State to the Diplomatic Representatives in the American Republics Except Argentina, Chile, and Bolivia

WASHINGTON, June 22, 1944—midnight.

Reference Department's circular telegram of June 22, 11 p.m. Present status of American diplomatic corps in Buenos Aires is as follows:

Late Brazilian Ambassador has not been replaced; Peruvian Ambassador is leaving shortly for Lima for absence of at least 3 months; there has been no Colombian Ambassador for over a year; Ecuadoran Ambassador announced resignation after recent change in Government of Ecuador; Cuban Minister is returning to Habana, leaving no representative; Venezuelan Minister plans to leave if situation does not soon clear up; recalled Minister of Panama has not been replaced; Honduras is represented by Chargé d'Affaires. Mexico, Uruguay and the United States are still represented by Ambassadors and Nicaragua and the Dominican Republic by Ministers.

HULL

835.01/6–2344 : Telegram

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

WASHINGTON, June 23, 1944—8 p. m.

743. Reference your 406, March 3, midnight. Please see the President and Foreign Minister at the earliest opportunity, inform them in full concerning our position as set forth in the Department's telegram no. 739 of June 22,[36] and advise them of our decision to recall Armour for consultation.

I am particularly anxious to know the present attitude of Chile toward the government of General Farrell in view of Fernandez' statement as reported in the enclosure to your despatch 9082 [37] that Chile's action in recognizing the Farrell regime "was to a great extent conditional, because the recognition was based on the fact that said regime would continue an international policy in keeping with the Rio commitments." Since the Farrell government has nullified rather than implemented the break and has totally rejected the relevance of the inter-American agreements, it would seem clear that the condition or primary postulate of Chilean recognition has not been satisfied.

Unity among the Republics which are unreservedly dedicated to the cause of the democracies is vitally essential at this time. I feel certain that Chile, which has always been in the vanguard of these nations dedicated to the principles of democracy, will be receptive to a re-examination of its position towards the Farrell government and to consultations with the other interested governments in this connection, a matter which is of the greatest importance to our common cause.

HULL

835.01/552a : Telegram

The Secretary of State to the Ambassador in the United Kingdom (Winant)

WASHINGTON, June 23, 1944—midnight.

4956. Please arrange to see Foreign Minister at earliest opportunity and acquaint him fully with our position on Argentina and the reasons therefor, as stated in our no. 4929, June 22, 11 p. m. quoting circular telegram to other American Republics.[36] We earnestly hope that the British Government will likewise instruct its Ambassador in Buenos Aires to return to London for consultation at once, in order that there may be no appearance of division between our two countries which would be fully exploited by Argentine regime and Axis

[36] See footnote 30, p. 315.
[37] March 10, 1944, not printed.

propaganda. We are convinced that there is no point in further delaying this step, and that on the contrary it is imperative that it be taken at once to forestall obvious efforts to persuade or coerce other countries one by one to extend recognition, regardless of fact that no effective action has been taken by Farrell regime during past 4 months to implement break with Axis.

I have today informed Lord Halifax of our action and the reasons therefor and he has undertaken to cable London immediately.

Announcement that Ambassador Armour has been recalled for consultation will be made within 2 days, after allowing time for other American Governments to be fully informed of our position as set forth in circular mentioned. It would be most helpful and greatly appreciated by me personally if a similar announcement were made by the Foreign Office at the same time.

HULL

835.01/537 : Telegram

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

MONTEVIDEO, June 24, 1944—noon.
[Received 3:16 p. m.]

606. I saw Serrato briefly yesterday to inform him of the action outlined in your circular telegram June 22, 11 p. m. and to arrange for an interview this morning with him and the President.[39] In this interview of over an hour I presented our position fully and forcefully and delivered a carefully prepared detailed memorandum following closely your telegram. The President and Serrato said that it was an excellent analysis of the situation but that they were not prepared to give an immediate reply regarding Uruguay's course. They agreed to study the memorandum and to confer with each other today or tomorrow. I urged them to consider the matter from the broad standpoint of Uruguay's permanent interests within the framework of continental solidarity rather than from the standpoint of its immediate relations with Argentina.

It would be helpful if I could be advised as promptly as possible as to what other countries will recall their Chiefs of Mission for consultation and particularly whether Great Britain and Brazil will do so.

At one point in our interview the President remarked that members of the Argentine Government are saying that present Uruguayan administration should be overthrown and replaced by a puppet regime. At another point Serrato inquired what my reply would be if he were to ask me what the U. S. would do in case Argentina attacked Uruguay. I asked him and the President whether they wished me to

[39] Juan José Amezaga.

submit this question to my Government. They both said "Not at this time". Nevertheless I consider it very desirable that Department authorize me in my discretion to give the President and Serrato definite assurances that we will defend Uruguay in case Argentina should attack it.

Repeated to Buenos Aires.

DAWSON

835.01/538 : Telegram

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

SANTIAGO, June 24, 1944—3 p. m.
[Received 7:15 p. m.]

1096. Reference telegrams No. 739, June 22, 11 p. m.[40] and No. 743, June 23, 8 p. m.[41] For Secretary, Bonsal, Duggan [42] and Lyon. Saw Fernández this morning who listened intently to the substance of the first telegram and appeared to find action proposed natural and proper. As to the second, he said instantly that he will see the President at once and urge that the Chilean Ambassador be recalled for consultation. He added that in that event, he will instruct the Ambassador on leaving to say to the Argentine Government that it has not conformed to its promise made Chile at the time of the recognition; that not only had it not intensified the implementation of the Rio Agreements but actually has discontinued implementation entirely; and for that reason, he was summoned back for consultation. He expressed the opinion that the recall for consultation of the British Ambassador seems necessary and that the simultaneous announcement of the British and American Ambassadors would create a profound impression in Argentina. He impressed me both by his words and manner as perfectly in accord with the idea of consultations among the American nations in view of the facts set forth in your No. 739.

My personal feeling is that if possible for Armour to return by way of Santiago and consult with Fernández, it would be good and Fernández expressed the hope that such a meeting be possible. Because of her original blunder in the recognition, the new situation presents Chile with a more delicate problem than in the case of any other nation for ultimately it implies a breaking of relations with Argentina which would probably concentrate its resentment on Chile. I have the feeling that left to Fernández alone, Chile will go along the whole way but I fear the pressure of the timid on the President who may shy at rupture but will undoubtedly I think do anything

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[40] See footnote 30, p. 315.
[41] Not printed.
[42] Laurence Duggan, Director, Office of American Republic Affairs.

short of that without hesitation. After this first meeting, I feel justified in promising the recall of the Chilean Ambassador for consultations; the resumption of discussions among the American nations; and the protest of Chile to Farrell that the promises have been disregarded and the explanation that this makes his return to Santiago for consultations necessary.

BOWERS

800.20235/6–2444

Memorandum by the Director of the Office of American Republic Affairs (Duggan)

[Extracts]

[WASHINGTON,] June 24, 1944.

ARGENTINA

I

At Rio de Janeiro the American Republics agreed to combat Axis activity in all of its phases within the hemisphere. The most dangerous form of this activity to the actual military prosecution of the war was that relating to espionage, sabotage, subversive undertakings, et cetera.

On March 16, 1944 the Joint Chiefs of Staff were requested to advise whether enemy activity in Argentina of this kind was dangerous to any military plans, preparations, or operations.

On March 30, 1944, the Joint Chiefs replied that they were not. They stated that there was far greater enemy activity in Argentina than in any other American republic but that it was less than two years ago.[42a] Their conclusion was that enemy activity in Argentina was a "potential" rather than "actual" danger.

The Joint Chiefs' conclusion cannot be lightly brushed aside. It is based upon all the evidence available to this Government. It must merit respect and guide our action.

The political moral to be drawn from the Joint Chiefs' finding is clear enough—the stamping out of the minor enemy activity in Argentina is not worth risking damage to the Good Neighbor Policy. An understanding of this is basic to the pursuit of a realistic policy with respect to Argentina, as well as to the other American republics.

[42a] The Department of Defense has supplied the following correction: "The JCS reply of March 30, 1944, contained no indication that enemy activity in Argentina was 'less than two years ago'. It did state that 'these activities in Argentina are of lesser danger today than previously, in consequence of the general improvement in our military situation.'"

Since the finding of the Joint Chiefs in March 1944, has come the capture of Rome, the retreat of Germany to the north of Italy and the invasion of France. . . .

Since our attitude towards Argentina is premised on hemisphere defense, we may soon be deprived of the cornerstone on which non-recognition rests.

. . . . . .

V

A decade of the Good-Neighbor Policy has produced remarkable confidence by the other American republics in the United States. Indeed, our history has no parallel for the present situation.

Why?

The United States achieved this position by openly and frankly laying the Big Stick on the shelf and relying instead upon the development of a community of interests that would produce common attitudes and unity of action. We abjured force, economic and military, to attain our ends. We withdrew our marines. We undertook treaty commitments, without reservation, not to intervene in the affairs of our neighbors. As a result, little by little there abated the distrust of the United States caused by a policy of pressure and force. Slowly confidence was built up. The other American republics came to see that Uncle Sam was not going to bash them over the head when he became annoyed or when he wanted something they were not prepared to give. They respected our restraint when we were provoked by those who sought to take advantage of the Good-Neighbor Policy.

The test of the new policy came with Pearl Harbor. In the darkest moment of the war—at a time when the Japs were running amok in the East Indies and Rommel [43] was striking in Tripoli— they threw their lot with us.

Why did the Good Neighbors come to our side?

They acted not because Uncle Sam raised a menacing finger but because they thought it was the thing to do *in their own interests* (*which were identical with our interests*).

This asset can be as important to us in the days ahead as it has been in the past.

Yet it is this asset that we are risking by our present policy with Argentina.

VI

The present moment calls for a high level of statesmenship. We have, beginning with the Rio conference, created an Argentine bogey which is now returning to haunt us. If we are not careful we will

[43] Gen. Erwin Rommel, commander of German forces in Africa.

dissipate our energies in chasing this phantom and thereby waste our strength needed in the pursuit of our main objective, namely, the creation of a decent postwar order.

The United States will emerge from this war with power mobilized to a degree heretofore unknown. This fact, already realized by some of the Good Neighbors, will soon be crystal clear to all. They will judge us in the future by the wisdom and restraint with which we use our power.

If we now recognize that the Argentine situation no longer presents the threat that it may have been at an earlier stage and act accordingly we will add to, not detract from, our prestige with the other American republics.

This will be the more true if concomitantly we immediately consult with the other American republics about the general international organization. Much of the present restlessness arises from our failure to take any steps—even to make a gesture towards seeking the views of the other countries regarding postwar political problems. As a consequence, they are deeply hurt. They interpret our continuous talk of responsibility by the four major powers as an indication that we don't care what they think. Unless *immediate* steps are taken, this feeling will deepen into a real distrust, which in turn may be capitalized upon by some other great power.

VII

Although this memorandum is not concerned with strategy and tactics, the suggestion is reiterated that we could not only solve the present impasse with Argentina but immeasurably improve the chances of success of our postwar plans by holding *immediately* a meeting of Foreign Ministers. Argentina, of course, would have the same right to attend a meeting of Foreign Ministers as it does to representation at the Governing Board of the Pan American Union. Furthermore, the possibility of extending into the immediate postwar era the life of those inter-American organizations which have been so useful in meeting economic problems of general interest might well appeal to the other countries as a reason for holding a meeting at this time.

The Argentine problem would not appear as an item on the agenda of the conference. It might be taken up in the conference under some general heading relating to hemisphere security or disposed of outside of the formal sessions of the meeting. . . . Precisely because it would not be the prime focus of the meeting but a subordinate theme it would be vastly easier to find a satisfactory solution. Indeed, with careful advance planning and management of the meeting a reasonable solution could be presented in such a way that Argentina could not decline its acceptance.

The convocation of such a meeting is the type of bold, imaginative step necessary to break the Argentine impasse. It would definitely appeal to all the other governments. Its chances of successfully solving the Argentine problem are believed infinitely greater than any other course yet suggested.

835.01/540 : Telegram

The Ambassador in the United Kingdom (Winant) to the Secretary of State

LONDON, June 25, 1944—10 p. m.
[Received June 25—8 : 40 p. m.]

5045. Personal to the Secretary. On receiving your 4956, June 23 yesterday I tried at once to contact Mr. Eden but was unable to reach him until the late afternoon. He had already sent a negative message to Halifax for delivery to you. He told me that he had consistently questioned the advisability of withdrawing Ambassadors in critical situations and was particularly disturbed because the meat contract with the Argentine comes up for renewal in early September.

I went down to the country to see him and explained that you were personally interested in maintaining a united front with the British in dealing with the present Argentine Government. I also asked him to read the circular telegram sent to all Missions in other American Republics which you had forwarded to me (Department's 4929, June 22 [45]). I do not know whether Halifax has reported to [you?] the content of Eden's first reply but I did get Eden to agree to reconsider the matter and I hope to get a more favorable reaction tomorrow.

Eden also agreed to give me an informal report on the conversations which are being carried on with the Free French. This I will forward to you before noon tomorrow London time.

WINANT

835.01/6-2644

Memorandum of Conversation, by the Secretary of State

[WASHINGTON,] June 26, 1944.

The Ambassador of Uruguay [46] called at my request. I went over the situation among the American nations very much as I did with the Ambassadors of Mexico and Brazil some few days ago. I covered the Argentine situation as set out in our circular telegram of June 22 which was sent to our Ambassadors in the other American Republics in relation to the whole matter and the recall of our Ambassador at

[45] See footnote 30, p. 315.
[46] Juan Carlos Blanco.

Buenos Aires. The Ambassador said he understood the entire situation. Something was said by him about the dangerous situation his country was in, situated as it was near Argentina. I said that at the same time the Argentine military group in charge of the government knew far better than to attack one of our allies in this hemisphere and that this would be the last thing they would attempt. He said he quite agreed.

C[ORDELL] H[ULL]

835.01/6–2644 : Telegram

The Chargé in Paraguay (Reed) to the Secretary of State

ASUNCIÓN, June 26, 1944—8 p. m.
[Received June 27—1 : 56 a. m.]

357. The Minister of Foreign Relations summoned me at 4 p. m. today to give me the reply of his Government to the memorandum prepared in accordance with the Department's circular telegraphic instruction of June 22, 11 p. m. for the Ambassador from the Secretary which I presented to the President and the Minister on June 24.

The Minister who was accompanied by the Under Secretary [47] informed me that the matter had been presented to the Cabinet at a meeting today. He declared emphatically that the Paraguyan Government desired to show its complete adherence to influences [*sic*] United Nations and its disposition to comply fully with the measures agreed upon for hemisphere defense. He stated that the Paraguayan Government considered that the position adopted by the Government of the United States with respect to Argentina was the logical and appropriate one in view of the circumstances reviewed in the third communication and with regard to the suggestion that the non-recognizing governments should recall their Chiefs of Mission from Buenos Aires during the next 2 weeks he declared that Paraguay was disposed to take this action. He then stated that the Paraguayan Government wished to learn at the earliest possible moment what steps the United States Government, probably in consultation with the Brazilian Government, proposed to take in order to protect Paraguay from the economic, political and military consequences of her adherence. He pointed out that the Argentine Government had only to state that there was no shipping space available for Paraguay in order to cut off the supplies of many essential commodities of which he mentioned particularly wheat and petroleum products. He said that the danger was not only economic however but political and declared that the Argentine Government had from the first looked with disfavor upon the Morínigo government and that there is real danger that the

[47] Mario Ferrario.

Argentine Government would promote a subversive movement similar to that in Bolivia in order to reinstate the Liberal Party which he alleged had been completely subservient to Argentina. He enlarged considerably on this theme condemning leaders Liberal Party for this present helpless condition of Paraguay vis-à-vis Argentina.

He said that there was also actual military danger as within about a month the Argentine Government had stationed three additional divisions of troops on the Paraguayan frontier and an unusual number of small boats and rafts have recently been seen on the Argentine side of the Paraguay River. He referred again to Perón's June 10 speech and states that evidences of aggressive militarism on the part of the Argentine Government were multiplying. He referred to Argentine charges that Paraguay now has air fields capable of accommodating a thousand planes which had been prepared at the United States request for possible aggression by American forces [apparent omission]. Paraguay is planning an invasion of the Argentine [garbled group]. He says that Perón has ambitions to revive the ancient viceroyalty of the Rio de la Plata and compared him with Hitler in his ideas of conquest. He also declared that it is apparent that Argentina is endeavoring to form a bloc including Chile, Bolivia and Ecuador in opposition to the non-recognizing nations.

In concluding the interview, the Minister repeated that it was very important that Paraguay should know immediately what steps the United States and Brazil will take to protect it, not only economically but against military aggression from subversive movements within or from open invasion. He said that carrying out the Lend-Lease plan would deal with Paraguay's need for arms. He requested particularly that a highway to Brazil be immediately completed to Guaíra rather than to Iguazú, and alleged that the Paraguayan Government had desired for a long time this route to the Atlantic but that its completion had always been blocked by Argentine influence.

He stated that he was consulting the Brazilian Ambassador tomorrow morning regarding the attitude of Brazil in this crisis.

Finally he requested that when Ambassador Armour returns to the United States he visit Asunción in order to inform the Paraguayan Government of its plans concerning Paraguay and to report to the Department more fully the attitude and situation of Paraguay.[48]

REED

[48] In a memorandum of August 8, 1944, Ambassador Armour, in Washington for consultation, observed that Paraguay was unable to withdraw its Ambassador from Buenos Aires without the assurance of economic support from the United States. The procurement agencies in the United States considered the transportation problem to Paraguay very difficult. (835.01/8–444)

835.01/540 : Telegram

The Secretary of State to the Ambassador in the United Kingdom (Winant)

WASHINGTON, June 26, 1944—10 p. m.

5042. Personal for the Ambassador. Your 5045, June 25, 10 p. m. I was profoundly disturbed to learn that before seeing you Eden had already sent a negative message to Halifax for transmission to me on the Argentine question. I earnestly hope that the reconsideration which Eden promised to give the matter after your second conversation with him will result in full cooperation with us on what I consider to be a matter of the most vital common interest.

I saw Halifax again today and emphasized the salient points in my number 4929, June 22, 11 p. m.[49] I stressed particularly that the informal negotiations which the various diplomatic representatives have been carrying on in Buenos Aires have not and will not accomplish any constructive results because the Farrell regime is determined to obtain recognition on the basis of mere promises of future action. I stated that the force of our collective position has been seriously weakened by the discussions which members of the Farrell regime have carried on with one Chief of Mission after another and that we considered it imperative to act promptly to forestall Argentine efforts to achieve piecemeal recognition. Halifax seemed impressed by my statement of our position and undertook to cable the Foreign Office again.

The urgent necessity for simultaneous British action has been indicated by the first replies to our circular cable quoted in our no. 4929. In reporting that the Chilean Foreign Minister is recommending to the President that the Chilean Ambassador be recalled for consultation, Bowers states that the Foreign Minister expressed the opinion that the recall of the British Ambassador for consultation and the simultaneous announcement of his recall and that of Mr. Armour would create a profound impression in Argentina.[50] The importance of British action is also underlined by our Ambassador in Montevideo reporting his conversation with the President and Foreign Minister of Uruguay.[51]

It will probably be necessary for us to announce Armour's recall within the next 24 hours. If the full effect of parallel action is to be realized announcement of recall of British Ambassador should be made very soon thereafter.

HULL

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[49] See footnote 30, p. 315.
[50] See telegram 1096, June 24, 3 p. m., from Santiago, p. 323.
[51] See telegram 606, June 24, noon, from Montevideo, p. 322

835.01/6–2744 : Telegram

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

MEXICO CITY, June 27, 1944—5 p. m.
[Received June 28—6:40 a. m.]

914. Personal for the Secretary. As I informed you in my letter of June 26,[52] I conveyed the substance of the Department's strictly confidential circular telegram of June 22, 11 p. m. to Dr. Padilla on June 26. He saw the President that afternoon and I had a further conversation with him today. The circumstances were such that we could not have a detailed conversation but Dr. Padilla's remarks showed that he was in complete sympathy with the points of view expressed in the telegram.

He said that he was asking the Mexican Ambassador in Buenos Aires to return to Mexico City and a telegram asking him to return would be sent some day before the end of June. He was not able to say what day the telegram would be sent, but stated categorically that it would be sent before the end of June.

Dr. Padilla said that it was his intention when instructing the Ambassador to return, simply to instruct him to return, as he thought this would have more effect than if he instructed him to return "for consultation".

As soon as the instruction is sent to the Mexican Ambassador I will advise you.

MESSERSMITH

701.1035/6–2944 : Circular telegram

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

WASHINGTON, June 29, 1944—7 p. m.

Department's circular telegram of June 22, 11 p. m. The situation to date on our presentation of views on Argentine problem and proposed recall of Chiefs of Mission at Buenos Aires for consultation is as follows:

The following countries have indicated approval: Brazil, Mexico, Peru, Ecuador, Colombia, Cuba, Dominican Republic, Haiti, Panama, Costa Rica, Nicaragua and Honduras. It is expected that Venezuela, El Salvador and Guatemala will do likewise. Uruguay and Paraguay appear disposed to follow suit but are concerned over possible Argentine military, political and economic reprisals. Bolivia has not yet been approached.

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[52] Not printed.

The Chilean Foreign Minister has stated that he would recommend to President Ríos the recall of Chilean Ambassador in Buenos Aires and instructions to him to inform the Argentine Government before leaving that he was being recalled because that Government had not lived up to promises made to Chile at time of recognition that Axis break would be implemented. Ambassador Armour reports that his Chilean colleague has been ordered home for consultation and is leaving today.

The following action has been taken to date: Mr. Armour is leaving Buenos Aires today; Mexican Ambassador is being instructed to depart before July 1; Peruvian Ambassador left June 25; Cuban Minister has left Buenos Aires for Habana; Nicaraguan Minister is leaving today; Dominican Minister is instructed to proceed within two weeks to La Paz to present letters of credence and then take up residence in Montevideo where he is also accredited; new Ambassador will not be appointed by Ecuador; Panamanian Minister-designate to Argentina and Uruguay will proceed directly to Montevideo and will not go to Buenos Aires; Honduran Chargé d'Affaires will probably be recalled. Of remaining four countries which have expressed agreement, Brazil has no Ambassador in Buenos Aires and Counselor in charge of Embassy has had no official relations with Farrell regime; Colombian Embassy is in charge of junior secretary; and Haiti and Costa Rica have no diplomatic representation in Argentina.

Foregoing is for your information and use in conversations with Foreign Office, except that no mention should be made of reference to Uruguayan and Paraguayan concern over possible Argentine reprisals.

HULL

835.01/6–3044 : Telegram

The Secretary of State to the Ambassador in the United Kingdom (Winant)

WASHINGTON, June 30, 1944—midnight.

5173. The following is a paraphrase of message sent by the President to Churchill today:

I am informed that the importance which we attribute to the proposal that the British Ambassador in Argentina be called home for consultation is fully known by the Foreign Office. The recall of Ambassador Armour has been announced here. Parallel action is being taken by nearly all of the other Republics. It is clear beyond any question, however, that if Kelly remains in Buenos Aires the collective effect of this action will be seriously weakened.

I earnestly hope that your decision will be favorable because of the importance of a common stand at this juncture.

HULL

701.1035/7–144 : Circular telegram

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

WASHINGTON, July 1, 1944—11 p. m.

Reference Department's circular telegram of June 29, 7 p. m. British Government is recalling Ambassador in Buenos Aires for consultation. Guatemalan Government has instructed its Minister in Rio de Janeiro, who is also accredited to Buenos Aires, not to proceed there under any circumstances.

HULL

The British Prime Minister (Churchill) to President Roosevelt [53]

LONDON, 14 July 1944.

No. 730. I ought to send you the immediately following minute [54] I have received from Mr. Llewellin, the British Food Minister. We wish to do everything we can to help you and Mr. Hull with the South American countries; but we think you ought to have the formidable arguments of this minute before you. Please remember that this community of 46,000,000 imported 66,000,000 tons a year before the war and is now managing on less than 25,000,000. The stamina of the workman cannot be maintained on a lesser diet in meat. You would not send your soldiers into battle on the British service meat ration, which is far above what is given to workmen. Your people are eating per head more meat and more poultry than before the war while ours are most sharply cut. I believe that if this were put before Mr. Hull he would do all he could to help us to obtain a new contract [55] and nothing which would jeopardize its chances. I therefore hope that you will do so.

President Roosevelt to the British Prime Minister (Churchill) [53]

[WASHINGTON,] 22 July 1944.

No. 588. For the Former Naval Person.[56] Your 730. I would not do anything in the world to cut down the supply of meat of England. Heavens knows that it is already quite short enough. We would do nothing to prevent your getting a new contract.

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[53] Copy of telegram obtained from the Franklin D. Roosevelt Library, Hyde Park, N.Y.

[54] Not printed.

[55] Contract with the Argentine meat producers.

[56] Code name for Prime Minister Churchill.

I hope, however, that you will, in very firm, clear, disgruntled tones of voice let Argentina know beyond a doubt that we are all fed up with her pro-Axis sentiments and practices. She is the only nation of North, Central and South America acting thus. I think it would help if you could instill this into their stubborn heads and, at the same time, get the meat contract.

Argentina knows full well that if, on its own initiative, deliveries of meat to England were to be delayed or stopped at this time, its action would everywhere be considered a betrayal of the United Nations.

I suggest that you examine the full statement of our position on Argentina which was transmitted to Winant for delivery to Eden on Thursday of this week.[59]

I would not, of course, urge this so strongly if it meant less meat for your people. As you know, you are getting all the meat you can carry from Argentina right now even though you have no contract, and you will recall that this was also the case for 10 months prior to the signing of the last contract.

I know that we can continue to count on your help to liquidate this dangerous Nazi threat.

ROOSEVELT

835.01/7–2844 : Telegram

The Ambassador in the United Kingdom (Winant) to the Secretary of State

LONDON, July 28, 1944—9 p. m.
[Received July 28—4:04 p. m.]

6025. Personal for the Secretary. Today I talked with Eden about the Argentine situation. He first wanted to assure me that Kelly's stay would be prolonged here. Either he or the Prime Minister may make some statement in the debate in the Commons next week supporting our position but it will be less severe than your statement.[60] He complained about our presenting his Government for the second time with a *fait accompli* on the ground that on this occasion we had failed to collaborate with them on the text of the public statement to be made. He told me he thought we should now give time to the Argentine to reconstitute its policy and that he hoped very much that before we took further action he might be allowed a fortnight's interval to work out himself a program in relation to the Argentine that might both protect his own Government while supporting our Government.

WINANT

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[59] Telegram 5687, July 20, 1944, 8 p. m., not printed.

[60] On July 26, the Department released to the press a statement on the nonrecognition of the Argentine regime. For text, see Department of State *Bulletin*, July 30, 1944, p. 107.

835.01/7–3144 : Circular telegram

The Acting Secretary of State to the Diplomatic Representatives in the American Republics Except Argentina, the Dominican Republic, Paraguay, and Mexico [61]

WASHINGTON, July 31, 1944—6 p. m.

Within the past three weeks we have received several offers or suggestions for "mediation" between this Government and the Farrell regime from other American Governments.

We fully appreciate the spirit which motivates the desire of these Governments to bring about full compliance with inter-American agreements on the part of Argentina. However, the failure of Argentina to comply with commitments made to and with all of the other American Republics does not offer any occasion for "mediation" between the present Argentine regime and this Government any more than that failure presents an occasion for mediation between that regime and any other American government. Argentina's desertion of the Allied cause and her efforts to undermine solidarity among the American Republics is a hemisphere problem, the concern of all the Republics.

Apart from the fact that this suggestion of mediation places the problem in an entirely false context, Argentina knows full well what is expected of her by all of the American Republics. There is no need for negotiations or discussions in order to make clear what is already so well known.

It is now established that Argentine representatives have been approaching one republic after another suggesting that each serve as mediator between Argentina and the United States. This Argentine ruse is designed to promote the impression that the issue at stake is one between Argentina and the United States and does not involve the prospective mediator. It is further designed to curry favor with each of the governments approached by appealing to its superior sense of objectivity and sympathetic understanding of the issues involved.

Please take occasion to mention the foregoing to the Foreign Minister, taking care to avoid the impression that we do not appreciate the sincerity of the governments that have offered to act as mediators. You should emphasize the inter-American character of the problem, as well as the Argentine effort to divide the Republics by encouraging the view that only the Government of the United States is concerned with Argentina's conduct.

STETTINIUS

[61] Information copies were sent to Buenos Aires, London, and Mexico City.

835.01/8–144 : Telegram

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

WASHINGTON, August 1, 1944—7 p. m.

1452. Please express to the Foreign Minister the Secretary's personal and sincere appreciation of the clear and firm stand which Padilla took in his discussion with Pardo. Reference is to your letter of July 28.[62] By expressing the same views to the representatives of other Republics accredited to the Mexican Government, the Foreign Minister is continuing in full measure his determined leadership in the common cause.

The Department appreciates the effective manner in which you handled the delicate question of the Foreign Minister's inquiry relative to mediation. We understand from the second and third paragraphs of the letter under reference that Padilla appreciates that there is no occasion for mediation.

STETTINIUS

835.01/8–244 : Circular telegram

The Acting Secretary of State to the Diplomatic Representatives in the United Kingdom and All the American Republics Except Argentina[63]

WASHINGTON, August 2, 1944—2 p. m.

We have now received word from all the other American Governments that they agree with the position on relations with present Argentine regime set forth in Secretary's statement made public on July 26. The Governments of Brazil, Peru, Dominican Republic, Haiti, Panama, Costa Rica, Nicaragua, El Salvador, Guatemala and Honduras have issued statements identifying themselves with that position. Other governments have indicated their readiness to do likewise, while some others are deterred by considerations of possible reprisals by Argentina.

We do not desire to press for issuance of public statements by Governments that have not yet done so, although it would of course help to underline the continuing solidarity of the American republics on this fundamental issue if they were to make such statements on their own initiative. The press reaction throughout America, summarized in a separate circular telegram,[64] makes clear the essential unity of outlook and purpose that exists among all the republics.

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[62] Not printed.
[63] Information copies were sent to Argentina and Canada.
[64] Circular telegram of August 4, 1944, not printed.

Please take occasion to mention information in first sentence to Foreign Minister. The balance is for your background information.

STETTINIUS

835.01/7–2844 : Telegram

The Acting Secretary of State to the Ambassador in the United Kingdom (Winant)

WASHINGTON, August 2, 1944—8 p. m.

6091. In your 6025, July 28, 9 p. m. you refer to Eden's intention to work out a program in relation to the Argentine. Although we fully appreciate British concern with meat purchases we trust that the negotiations can be so handled as to reinforce our political position. Unless they are so handled, the apparent divergence in our positions may be seriously accentuated. By prolonging the negotiations and by taking a firm stand on price and other terms of the contract the occasion of the purchase can unquestionably be utilized to strengthen our common political stand. Furthermore, we feel that it is imperative that the meat purchase should be treated as an isolated commercial transaction dictated by special war needs and therefore entirely separate from fundamental political and economic policies.

We propose to stop purchases of all Argentine products except those which are absolutely essential for the war effort. It is estimated that we can thus reduce the present level of our purchases by from 40% to 65%, or roughly a reduction ranging from $90,000,000 to $140,000,000 per year without prejudice to the war effort. In order to be effective this reduction of purchases must be correlated with parallel British action.

Please see the Foreign Minister as soon as possible and discuss with him, along the lines suggested above, both the matter of the meat contract negotiations and the possibility of parallel British action to reduce purchases of non-essential Argentine products.

STETTINIUS

740.0011 E. W./8–344 : Telegram

The Ambassador in the United Kingdom (Winant) to the Secretary of State

LONDON, August 3, 1944.

[Received August 3—2: 55 p. m.]

6191. Following is official Hansard text of passage concerning Argentina and post-war policy towards neutrals which Mr. Churchill included in his speech in House of Commons yesterday:

"In the Mediterranean theater of war I mentioned that we have recently had the satisfaction of welcoming as our comrades in arms

a finely equipped expeditionary force from Brazil, and there are more legions to come from this great land which for a long time has been rendering valuable war service to the Allied cause both in the air and on the sea. As an Englishman, I may be pardoned at this moment for thinking of another South American country with which we have had close ties of friendship and mutual interest since her birth to liberty and independence. I refer to Argentina. We all feel deep regret and also anxiety as friends of Argentina that in this testing time for nations she has not seen fit to declare herself wholeheartedly, unmistakably and with no reserve or qualification upon the side of freedom and has chosen to dally with the evil, and not only with the evil but with the losing side. I trust that my remarks will be noted, because this is a very serious war. It is not like some small wars in the past where all could be forgotten and forgiven. Nations must be judged by the part they play. Not only belligerents but neutrals will find that their position in the world cannot remain entirely unaffected by the part they have chosen to play in the crisis of the war."

WINANT

835.01/8–344 : Telegram

The Acting Secretary of State to the Ambassador in the United Kingdom (Winant)

WASHINGTON, August 3, 1944—8 p. m.

6138. Please convey the following message to the Prime Minister:

"Your clear and direct reference to Argentina in the Commons effectively states our common position toward the Farrell regime. It is a great contribution. There can now be no doubt in Argentina or anywhere else concerning our joint determination to stand firm on nonrecognition and to see the business through until we are certain that there is no remaining vestige of Nazi power or influence in this hemisphere. The Secretary, who is away from the Department for a few days, has personally asked that I associate him wholeheartedly with this message."

STETTINIUS

835.01/8–444

The British Chargé (Campbell) to the Secretary of State

[Extract]

No. 487 WASHINGTON, August 4, 1944.

. . . . . .

6. The Argentine Government, having fulfilled these requests [65] to our satisfaction, would no doubt expect recognition. His Majesty's

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[65] In omitted paragraphs the British Chargé suggested that requests for positive contributions to the war effort by Argentina be made when it was determined the extent of the injury done to the United Nations, the help given the Axis by Argentina, and what further assistance Argentina could give the Allies.

Government take the traditional view of the act of Recognition. Except on very rare occasions, it is to them not a moral approval of the Government in question, but an act of well established international procedure. Generally they do not believe that it should or can in fact be used to effect a change of Government. But experience has shown that in exceptional circumstances it can be used effectively as a bargaining instrument, and they believe that now it could and should be used quite plainly to extract certain concrete contributions to the common effort on the matters recommended by the Combined Chiefs of Staff. They believe too that this use would be approved generally by the public opinion of the United Nations. The more so because His Majesty's Government must frankly admit to serious misgivings as to the effect on the Latin-American temperament of the Argentine nation of ostracizing that country's Government.

7. Nor, they feel bound to say, would they find it easy to justify before public opinion a situation in which Sir David Kelly was kept away from his post for an indefinite period of time, if invidious comparisons were to be drawn, in Parliament and elsewhere, between the lack of diplomatic protection from which important British interests are likely to suffer at the hands of an ultranationalist Government and the continued presence in Buenos Aires of United States Service missions advising the recalcitrant Government. Still less would Parliament approve of British participation in an economic embargo which would involve harsher steps against a country, that has, at least in appearance, severed diplomatic relations with the Axis, than have been enforced by the United States or British Governments against the Government of Eire.

8. You will, His Majesty's Government feel convinced, further appreciate the desire of His Majesty's Government to consult in this matter Latin-American States such as Brazil, Uruguay and Chile, with which they have long standing ties of friendship and common interests sufficiently close to warrant their raising the status of their diplomatic missions to the highest level. Such requests as that of Uruguay for assurances of assistance in case of attack have somewhat reinforced the views recently expressed to His Majesty's representatives by leading men in Latin-American countries with regard to a prevalent uneasiness as to the effect upon Argentina of further pressure, such as a public remonstrance or embargo. Of the countries concerned you will be aware that several are also most intimately linked with Argentina both economically as well as geographically. It would, therefore, be the desire of His Majesty's Government that the line of policy which they feel should now be adopted towards Argentina should be brought to the notice of, and discussed with, some at least of these Latin-American associates in the United Nations' cause before any final decisions are taken as to further moves.

9. His Majesty's Government would be glad to receive a full and frank expression of the views of the United States Government on the foregoing; to the end that the collaboration, which His Majesty's Government greatly value in all matters of high policy may continue to be reinforced by consultation at every step taken to deal with this international question. In the meantime, His Majesty's Government take the liberty to suggest the advisability of avoiding all public statements; so that Argentina may have time to reflect upon your clear indictment of the Argentine Government, and His Majesty's Government may equally have an opportunity to discuss future policy.

10. The statement made this week by the Prime Minister to the House of Commons will have demonstrated once more to all concerned that His Majesty's Government are above all desirous of finding, in common with the United States and their other Allies, a just and lasting solution for the Argentine problem. Nor are they backward in warning the Argentine Government of the results of their waywardness.

I have [etc.] RONALD I. CAMPBELL

835.01/8–444 : Telegram

The Ambassador in the United Kingdom (Winant) to the Secretary of State

LONDON, August 4, 1944—midnight.
[Received August 4—11 : 59 p. m.]

6233. Personal for the Acting Secretary. Today I had a long conference with Eden which included a discussion of the Argentine situation. He has sent a long despatch to Ronald Campbell which the latter will take up with you.[66] Eden told me that since the Prime Minister and he had done their best to associate the British Government in Mr. Churchill's statement with the position of United States Government in relation to the Argentine and since they were not returning their Ambassador he hoped very much that we would desist from open attacks on the Argentine until that Government had had time to readjust its policy. He said that while you were here he had explained to you that he wanted to do everything he could to help support our policy but that that did not mean he was "signing a blank check".

He again cited our decision to withdraw Ambassador Armour without prior consultation with the British but with the request that they also withdraw their Ambassador on the ground of the need for common action and our action later in sending over a statement which Secretary Hull was going to make public, but on which they had not been consulted, with a further suggestion that the British make a like

[66] See *supra*.

statement. In these two instances Eden felt that his Government had been faced with a *fait accompli* and that considering vital British interests in relation to the importation of important foodstuffs at this time and their long-term interests in the Argentine, there should be an agreed approach before decisions were taken. He was very friendly but felt that his Government should share in the decisions reached rather than being asked to comply with decisions taken.

I personally very much appreciated your message to the Prime Minister.

WINANT

835.01/8–444 : Telegram

The Chargé in Paraguay (Reed) to the Secretary of State

ASUNCIÓN, August 4, 1944—1 p. m.
[Received 8:50 p. m.]

431. On informing Foreign Minister concerning first paragraph of Department's circular telegram August 2, 2 p. m., although I did not suggest the issuance of a statement he said that a declaration regarding attitude of Paraguay toward Farrell government had been made soon after its assumption of power but that any further statement was being deferred pending Department's reply to his memo of June 26 [67] and that as soon as a complete and satisfactory reply should be received thereto Paraguayan Government would immediately issue a statement announcing its unequivocal adherence to our position. He amplified this and mentioned that Paraguay's needs would include not only military support of Brazil and the United States which had been promised in event that Argentine attack but arms for equipping Paraguay and forces including armored vehicles and naval vessels. (In this connection see my 426, August 3, 4 p. m.[68]) He repeated that Paraguayan Government was waiting for our reply and he assumed that its non-receipt was due to complexity of problems involved in giving complete support to Paraguay. I offered no explanation or comment.

REED

835.01/8–844 : Telegram

The Acting Secretary of State to the Chargé in Bolivia (McLaughlin)

WASHINGTON, August 8, 1944—8 p. m.

814. Dorado,[69] under instructions from his Government, called at the Department on August 4 to state that Bolivia was completely in

[67] See telegram 357, June 26, 8 p. m., p. 328.
[68] Not printed.
[69] Carlos Dorado Chopitea, Counselor of the Bolivian Embassy.

agreement with our stand on Argentina and that the Bolivian Government's note to the Embassy [70] was merely to give a complete background of the Bolivian position, intending no criticism of action on our part; that the portion of his Government's note comparing the prices paid for rubber by the Rubber Development Corporation and Argentina was inserted at the instance of certain self-seeking businessmen; that Bolivia would continue to supply us with rubber and quinine despite Argentine pressure and offers of higher prices; and that the Bolivian Ambassador to Argentina would remain in La Paz.

Dorado said that Martín Gras [71] was exerting great pressure to have an Ambassador depart for Buenos Aires, but that the Government would stand firm. He said it would probably be impossible for Bolivia to make a public statement concerning Argentina. An officer of the Department stated his personal opinion that Bolivia was doing about as much as she could at present, but that as Bolivia strengthened her position with our assistance she would be able to take further steps.

STETTINIUS

835.01/7–2844 : Telegram

The Acting Secretary of State to the Ambassador in the United Kingdom (Winant)

WASHINGTON, August 11, 1944—11 a. m.

6339. At meeting on Wednesday [72] with Law,[73] Campbell and Hadow,[74] I stated our views with regard to the meat negotiations substantially along the lines of Department's 6091 of August 2, 8 p. m. I emphasized our hope that the negotiations would be delayed and that when finally concluded, the contract would be for a short term. Law stated that he would report these views immediately upon his return.

I also informed Law that we are considering a cut in our purchases from Argentina by from 40% to 60% and that you had been instructed in the cable under reference to discuss this with the Foreign Office to obtain the views of the British government.

Since we are also giving serious consideration to freezing Argentine funds, Law was so informed. We explained that Argentina's

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[70] Memorandum of July 24, 1944, transmitted to the Department in despatch 4088, July 26, from La Paz (not printed); it emphasized the treaties and conventions that tied Bolivia to Argentina, the dependence of Bolivia on Argentine materials, and the favorable prices of Argentine commodities (724.35/7–2644).

[71] Gen. Martín Gras, Argentine Ambassador to Bolivia.

[72] August 9.

[73] Sir Richard Law, British Minister of State.

[74] Robert Henry Hadow, Counselor of the British Embassy.

failure to implement the break in relations justified our placing her in the same class with other neutrals whose funds had been frozen. You will recall that this is the action that was proposed prior to Argentina's break in relations in January and that at that time it was agreed that existing British financial controls obviated the need for similar action by Britain.

In view of Eden's request that we confer with him before taking any new action, we are anxious to receive his views on the question of reduction of our purchases and the possibility of parallel British action.

Please inform Eden of my talk with Law and request his views with respect to our proposal to freeze Argentine funds.

STETTINIUS

835.01/7-2844 : Telegram

The Secretary of State to the Ambassador in the United Kingdom (Winant)

WASHINGTON, August 15, 1944—11 p. m.

6470. Reference our 6091, August 2, 8 p. m. and 6339, August 11, 11 a. m. I have reviewed the Argentine situation in considerable detail with Halifax and Cadogan.[75] I stated that the stamping out of Nazism in Argentina is a major objective of our policy as it should likewise be a major objective of British policy, and stressed that in order to realize our objective it is essential that the British stand firmly and wholeheartedly with us both in appearance and in fact. As an immediate concrete method of assuming joint leadership with us, I urged that they use the occasion of the meat negotiations to support our common stand and that they buy under a short term contract only enough to satisfy their immediate needs.

In order to maintain the initiative we consider that it is highly important that the British go forward with us and also that such economic steps as those referred to in the cables under reference, even though of a minor character, be taken at a very early date. We are reluctant to take any economic steps without being certain that in the meat negotiations the British will firmly demonstrate their support of our position. Furthermore, because of Eden's request that he be consulted, we feel that we must have the British views both on freezing and on the proposed reduction of purchases before making a final decision.

HULL

[75] Sir Alexander Cadogan, British Under Secretary of State for Foreign Affairs.

835.01/7–2844 : Telegram

The Secretary of State to the Ambassador in the United Kingdom (Winant)

WASHINGTON, August 19, 1944—midnight.

6629. Refer our 6339 of August 11. Hadow of British Embassy here has suggested that London may wish to know commodities that might be removed from U.S.-Argentine import program in the event of decision to cut 40 to 60 percent from the current level.

Final determination will be made by operating agencies in the event of decision to go ahead, but tentatively you may say that the following industrial and agricultural items would be slated for substantial reduction or complete elimination:

(1) All luxury or non-essential items which have been moving on Argentine or other shipping and outside our regular priority list.
(2) Low rated priority food commodities including fruits and vegetables, pulses, grass seeds, spices, oil seed meals, luxury meat products, sausage casings, honey, butter and cheese.
(3) Certain fats and oils such as tung oil, glycerine, cottonseed soap stock, some linseed, neatsfoot oil, stearic acid and some edible oils.
(4) Other commodities such as raw wool and manufactures; shearlings, sheep and lamb skins; reptile and other skins; rabbit furs, and furs other than rabbit; leather and manufactures.

HULL

835.01/8–1244

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

WASHINGTON, August 24, 1944.

DEAR MR. AMBASSADOR: I refer to your letter of August 4,[76] setting forth the reasons why you thought it would not be possible for Dr. Padilla to issue a public statement with respect to Mexico's position on the Argentine issue at the time when we issued our statement[77] which was followed by supporting statements of the Governments of Brazil, Peru, Venezuela, Colombia, Cuba, and others.

Upon receipt of your letter I talked the matter over with Mr. Stettinius and with my full approval he despatched to you his confidential telegram no. 1502 of August 11, 6 p.m.[76] You know that the last thing we would wish to do would be to ask our good friend, Dr. Padilla, to do anything which might in any way be contrary to his wishes or better judgment. On the other hand, from his conversations with me during his visit here and the reports which you have sent me, I have had the clear impression that he fully recognizes the

[76] Not printed.
[77] Statement of July 26; for text, see Department of State *Bulletin*, July 30, 1944, p. 107.

seriousness of Argentina's desertion and of the Fascist movement in this Hemisphere and that we have had his wholehearted support in the stand we have taken jointly with the other American republics and the other members of the United Nations. Therefore, it is not readily understandable to me why Dr. Padilla should hesitate to go along with the rest of us in making a statement which would be completely in accord with the joint effort of the American republics to deal with this dangerous situation.

I fear that if you do not discuss this question with Padilla, we may appear to acquiesce in Mexico's silence. We must not under any circumstances do that. I do not mean to suggest that we would be offended by a Mexican refusal to state its position publicly. We should, however, like to have our views squarely on record and as stated in Mr. Stettinius' telegram under reference, I do feel that in all sincerity and with complete reliance upon your close personal relationship with Dr. Padilla, you can approach him along the lines indicated and at the same time assure him that without presuming in any way to interfere in the course of action that he or the Mexican Government may wish to pursue, it would be most helpful if some statement could be issued publicly aligning Mexico with the other American republics.

Any statement would, I presume, be issued in the name of his Government and would not necessarily represent his personal viewpoint.

I believe that you will agree that Dr. Padilla's thoughts, as summarized in your personal and confidential letter of August 12, 1944,[78] demonstrate that he is keenly aware of the importance of making our common stand clear beyond any shadow of doubt at this critical time.

Sincerely yours, CORDELL HULL

835.01/8–444

The Secretary of State to the British Ambassador (Halifax)

[Extracts]

WASHINGTON, August 30, 1944.

EXCELLENCY: I have the honor to acknowledge the receipt of Sir Ronald Campbell's note No. 487 of August 4, 1944 transmitting the views of your Government with respect to Argentina.

. . . . . .

6. Although the reservations of the British Government with regard to recognition may be well taken in ordinary circumstances, there can be no doubt that recognition by the United Nations of the Farrell regime in the present circumstances would strike a deadly blow at the system of cooperation which the United Nations have undertaken to develop for the effective attainment of their common objectives.

[78] Not printed.

Recognition would be everywhere interpreted as the approval of conduct which has repeatedly involved the disregard of solemn international obligations. 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, both human and material.

7. In numbered paragraph 8 of the communication under reference, Your Excellency's Government refers to the desirability of consultations with Brazil, Uruguay and Chile. The same paragraph refers to the "prevalent uneasiness (among the American republics) as to the effect upon Argentina of further pressure, such as public remonstrance or embargo".

The Government of the United States has consulted with the Governments of the countries named, as well as with all the other American republics at every stage of the present problem. Without exception, the other American republics have unqualifiedly approved our statement of the facts and basic issues. In expressing agreement with the position of this Government, the American republics have also recognized that it would be incongruous for any one of them to mediate between Argentina and any other republic. They recognize that the problem is one of equal concern to all.

My Government has received no official expression from the other American republics, and has seen very little evidence that would support the view that there is a body of opinion in this Hemisphere which would counsel against "further pressure" on Argentina. Any information to the contrary which may be in the possession of the British Government would, of course, be given great weight in our deliberations with respect to possible future action.

8. Although "the effect on the Latin American temperament of the Argentine nation of ostracizing that country's Government" may give rise to "misgivings", this Government considers that recognition of the Farrell regime would inevitably induce the belief among the people of Argentina,—as well as among peoples of the United Nations—that solemn international obligations may, notwithstanding the disastrous experience of recent years, be disregarded with impunity. If collective action in support of the interests of a community of states is ever to be effective, we must be prepared to run the risk that patriotic sentiment will induce the people of a recalcitrant nation deeply to resent such action against its government, however little they may otherwise respect that government. Such a resentment is perhaps deplorable, but seemingly inevitable. Only by persisting in a firm collective policy can we develop a real and prac-

tical sense of international responsibility, not only among governments but also among peoples.

. . . . . .

10. Consistently with the desire of the Government of the United States to consult fully with the British Government prior to taking new action with relation to Argentina, this Government has resorted to various channels to bring its views with regard to a possible next step fully to the attention of the British Government.

On August 9 the Acting Secretary of State met with Sir Richard Law, Sir Ronald Campbell, and Mr. Robert Henry Hadow, and stated that while the Government of the United States fully appreciates the British desire to obtain adequate meat supplies, it trusts that the negotiations with Argentina can be so handled as to reinforce our common political position. The Acting Secretary urged that the negotiations be prolonged and that any contract which may eventually be concluded be for a short term. Mr. Stettinius also emphasized the hope of this Government that the meat purchase may be treated as an isolated commercial transaction dictated by special war needs and, therefore, entirely separate from fundamental political and economic policies. In the same meeting, Mr. Stettinius informed the representatives of the British Government that we are considering a cut in our purchases from Argentina by from 40% to 60% and that serious consideration is being given to the freezing of Argentine funds.

On August 2 and again on August 11, Ambassador Winant was instructed to inform the Foreign Secretary of our views both with respect to the meat contract and with respect to possible reduction of purchases and freezing of Argentine funds.

In connection with the proposed reduction of purchases, Ambassador Winant was instructed to express our hope that the British Government may be prepared to take parallel action, thus eliminating all purchases of Argentine products not essential for the satisfaction of immediate needs.

Ambassador Winant has now informed the Department of State that he has received a letter from Mr. Eden dated August 25,[80] in which the Foreign Secretary states that the British Government is fully alive to the issue raised by our messages relative to the meat contract. In his letter, Mr. Eden also recognizes the reasons why we propose to discontinue non-essential purchases at the present time and states that he is consulting the Ministry of Supply with respect to possible reduction of British purchases. With respect to the matter of freezing Argentine funds, the Foreign Secretary assumes that the action of our Treasury Department in recently prohibiting the

[80] Copy transmitted to the Department in telegram 6927, August 25, 10 p. m., from London; neither printed.

export of two shipments of Argentine gold is tantamount to the freezing of funds and adds that the British Government has already applied "similar restrictions to Argentina as a neutral".

It has been the opinion of this Government that these economic steps constitute a necessary implementation of the nonrecognition policy. In view of Mr. Eden's recognition of the reasons which have induced that opinion, we are considering taking the indicated action at an early date. However, having in mind the thought expressed by Mr. Eden, we hope so far as possible to avoid undue publicity.

Accept [etc.] CORDELL HULL

835.24/9–944

Memorandum by the Assistant Secretary of State (Acheson)[81]

REVISION OF EXPORT POLICY TOWARDS ARGENTINA

a) Permit no exports to the Argentine armed forces and embargo materials or supplies destined for the Argentine armament industry.

b) Permit no export of railway locomotives or rolling stock or automotive vehicles.

c) Approve no Argentine development projects except those directly contributing to the war effort.

d) Permit no exports of Fourdrinier phosphorous bronze screens.

e) Permit no export of petroleum equipment, including operational equipment used in connection with the production of petroleum products as well as boring and oil field equipment. Limit exports of fuel oil to the minimum amounts necessary to assure the continued services of the chartered Dodero[82] Argentine deep tank vessels in transporting vegetable oils to the United States and to such additional quantities of fuel oil as may be necessary to release limited quantities of linseed that may later be considered essential for the United States.

f) Permit no further increase in the number of value limits of products exportable to Argentina under general license.

g) Limit the quarterly issuance of licenses for the export of all products not otherwise limited herein to the requirements of those industries in Argentina whose products are essential to the United Nations war effort plus minimum amounts in other fields for the maintenance of public health and safety.*

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[81] Transmitted by Mr. Acheson to Leo T. Crowley, Foreign Economic Administrator, under cover of a letter of September 9, 1944.

[82] Compañía Argentina de Navigación Dodero.

* Materials necessary for the maintenance of public health and safety shall comprise exclusively the following: minimum amounts of essential drugs for the treatment of disease and the avoidance of epidemics; essential equipment for hospitals, clinics, and other public health centers; essential repair, maintenance and operating supplies for the common public utilities. [Footnote in the original.]

h) Endeavor to obtain through navicert control and other appropriate devices a similar reduction in exports by other countries to Argentina.

841.244/9–1244

Memorandum by the Secretary of State to President Roosevelt

WASHINGTON, September 12, 1944.

BRITISH ECONOMIC COOPERATION TOWARD ARGENTINA—MEAT NEGOTIATIONS

It is no exaggeration to say that effective implementation of our Argentine policy depends on British cooperation in economic matters. Up to the present we have received only tentative and highly qualified promises from London to investigate the possibility of such cooperation.

As you know, we have considerd that it is of the greatest importance that if the British ultimately find it necessary to sign a meat contract rather than to purchase on a month-to-month or spot basis, such contract should be for the shortest possible term. However, the rumor has persisted that the British intend to sign a four-year contract and Mr. Eden has now written to Ambassador Winant stating among other things that

"We have no desire to conclude a contract running for a longer period than is strictly necessary . . .[83] but our paramount duty both to our people and to our Allies is to ensure that, during the acutely difficult postwar years, they shall be adequately fed; and the case made out by our Ministry of Food that only a longer term contract will ensure this as regards meat is entirely convincing."

In view of the situation developing on food surpluses as pointed out in Judge Byrnes'[84] report to you of September 7, it would appear that longer term commitments with the Argentine could be avoided. As Judge Byrnes has indicated "Production in the areas under Allied control with the exception of Russia is approximately one-third above normal production. War reserves have been established. When peace comes the reserves in the military theatres will become surplus."

With respect to meat specifically, which the Combined Food Board may consider in relatively short supply, although it has not as yet analyzed or allocated the supply for the period November [1944?] to November 1945, it appears that with the overall ample food situation, that some provision could be made for supplying additional meat to the United Kingdom from the United States, Canada, Australia and

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[83] Omission indicated in the original memorandum.
[84] James F. Byrnes, Director, Office of War Mobilization.

South American countries other than Argentina. I understand that there is a surplus of utility beef in the United States and with the current prospects of slaughter this fall that the surplus undoubtedly will be increased. It is also my understanding that there may be some surplus of commercial grades of beef. It may be possible for us to arrange to increase lend-lease of certain quantities of utility and commercial grades of beef to the United Kingdom provided a similar reduction of British purchases of beef in the Argentine is obtained.

I therefore suggest that you urge upon the Prime Minister that—

1. British purchases of meat in the Argentine be continued on a spot basis and that no agreement for a period of four, or even two, years be concluded.
2. The British Ministry of Food reduce its meat purchases in Argentina by resorting to the above-mentioned possible alternative sources of supply and by giving due weight to the promising food supply situation in Europe and elsewhere. I have been informed that our Army has terminated all purchases of Argentine canned beef through the British Ministry of Food, which, as you know, purchases meat in Latin America for us under an arrangement of the Combined Food Board.

C[ORDELL] H[ULL]

835.24/9–1544 : Circular telegram

The Secretary of State to the Diplomatic Representatives in the American Republics Except Peru, Uruguay, and Argentina

WASHINGTON, September 15, 1944—6 p. m.

The Department views as most serious evidence recently received of an increase in re-exports, both legal and illicit, of American merchandise from some of the other American Republics to Argentina.

With the easing of the supply situation coincident with the growing shortages in the Argentine, this illegal traffic will continue to offer large profit possibilities.

It is desired that at the earliest opportunity you seek an interview with the appropriate officials to state in a friendly but firm way your Government's concern at this development.

You should say that not only is the re-exportation of American merchandise contrary to the letter and spirit of the export laws and regulations now in force, but also that this action, particularly in the case of the Argentine, results in a negation of adopted policies of concerted hemispheric action.

Some of these goods have been furnished by the United States at sacrifice to civilian consumers in this country, and in majority of cases the quantities involved must be subtracted from the total supplies available for the use of other friendly governments and peoples throughout the world.

Arrangements should be made through the Country Agency for the issuance of a statement that the re-exportation of materials received from the United States is a violation of the conditions of the United States export license and might, therefore, result in the denial of export licenses covering shipments to persons involved in such action.

Naturally your approach to the Government officials must be an entirely friendly and understanding one, but it must be made unmistakably clear that action should be taken to bring about the cessation of this practice.

The Department is sure that the other American Governments will wish to correct this situation at once both in the interests of their own consumers and also because of their desire to cooperate with this Government.

As it has been reported that certain American firms are using this method to evade present export controls on shipments to Argentina, the Department wishes to be informed of any evidence of this character. In addition full reports are requested on persons or firms who may be involved in this illicit traffic.

HULL

835.00/9–1644

Memorandum of Conversation, by the Secretary of State

[WASHINGTON,] September 16, 1944.

The British Ambassador called at my request. I took up with him the Argentine question as it relates to British cooperation with American nations. I read to him extracts from two papers prepared today by the River Plate Division and other groups in the Department which showed clearly that the British could aid us to the extent necessary without endangering their meat situation. I made clear to the Ambassador that the President at an early stage of this matter, when conditions in fact were very different from what they are now, had said something to the effect that we, of course, wanted them to get all the meat they desired, et cetera. The President had in mind that they could cooperate fully with us without in the least endangering the meat situation and that they could exercise powerful influence as the controller of the buyer's market, which would be acquiesced in by the sellers. However, it seems that the British officials were far more fearful about the risk than the President and myself and other members of this Government, and we based our views on the most elaborate and careful examination of all the facts and circumstances. This I reiterated to the Ambassador.

I also said to him that Argentina under the control of the Fascist lawless government is the refuge and headquarters in this hemisphere

of the Fascist movement and that that movement entrenched in Argentina under the protection of a Fascist government is dangerous. I then added that if this and most of the other American nations should become seriously handicapped in their efforts to resist this movement and should fail because of the British attitude, the repercussions would be very loud throughout the Hemisphere. This Government would then be obliged to state the full facts as it finds them for the reason that the whole future of Pan Americanism is measurably at stake. The Ambassador thereupon said that if I would send to him a summing up of the facts as I had stated them, he would take the matter up at once and further with his Government. I thanked him.

C[ORDELL] H[ULL]

835.01/9–944

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

WASHINGTON, September 19, 1944.

DEAR FRIEND MESSERSMITH: I have read with much interest and care your letters of September 7 and 9 [85] regarding the position of Dr. Padilla with respect to the issuance of a statement on the Argentine situation.

I believe that I understand the delicate internal political situation with which the President and Foreign Minister are confronted. However, in view of the fact that Mexico is a belligerent and that the groups of the Left which have been severely critical of Padilla are very strong and outspoken in their support of our stand against Argentina, I find it difficult to understand why a declaration of policy with respect to Argentina by Dr. Padilla would provoke internal political attacks. On the contrary, it would seem that this is an issue by means of which he might be able to rally very strong support. I note that it is your view that since Padilla has now made an informal statement to the press on the Argentine problem he will probably find a further convenient opportunity to make a more formal statement in support of our stand. It would seem, therefore, that Padilla is also aware that on the Argentine issue there is little danger of creating domestic political difficulties either for himself or for the President.

I want to make it perfectly clear that I have nothing but the warmest feelings of friendship and admiration for Dr. Padilla. There will be no difference in my feelings regardless of his views on the hemispheric situation as it relates to the policies of fascism and the lawless, vicious practices and methods that go with it. The single, basic point that I have stood on and now stand on, together, as I believe, with most of the other American governments, is that the

[85] Neither printed.

present lawless, fascist regime in Argentina is a real menace and danger to this hemisphere and that therefore all the American nations can well afford to say so and to act in concert accordingly. It is to my mind the very height of absurdity to try to coax back into the family of American republics an unprincipled government that has adopted fascism and made its country its abiding place, on the theory that by so doing we shall restore purity and decency and integrity to the very doctrines of unity which this fascist regime has done its best to destroy. Unless we keep pure and undefiled those doctrines and policies of our hemispheric unity and solidarity and the sound principles underlying the great cooperative organization built up during the years before Pearl Harbor, the whole idea of hemispheric cooperation will become undermined and discredited and will soon be abandoned by respectable nations. As I have said, and repeat, the danger is manifest and unless we guard against it it will in all probability spread up the continent.

Since I continue to believe that a strong statement by Padilla would be most helpful, I suggest that you discuss this matter with him once more before you leave, in the hope that he will see his way clear to making the kind of declaration that he is so well qualified to make. I am convinced that it would have a salutary effect throughout the hemisphere and would strengthen rather than weaken his own position in Mexico.

With best wishes,

Sincerely yours, CORDELL HULL

835.24/9–2044

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

No. 20,229 MEXICO CITY, September 20, 1944.

SIR: I have the honor to acknowledge the Department's circular telegram of September 15, 6 p. m., asking me to inform the appropriate authorities of the Mexican Government of the concern of the Department over the information it has lately received concerning the increase of legal and illicit exports of goods of United States origin from some of the other American Republics to the Argentine.

. . . . . .

In a conversation with the Minister of Hacienda, Mr. Suárez, today on other matters, I also took occasion to bring to his attention the substance of the appended memorandum.[86] Mr. Suárez said that the Ministry of Hacienda was being constantly approached by persons who wished to export goods of United States origin to the Argentine and also by persons who wished to export goods of Mexican origin to

[86] Not printed.

the Argentine. He said that as I knew the Mexican Government was collaborating fully with us in this matter not only so far as the export of goods of United States origin was concerned, but also with respect to most goods of Mexican origin. He said that there were strict regulations of the Mexican Government which prevented the re-export of the goods of United States origin to the Argentine, and in fact to any other destination, as Mexico wished to conserve the goods which she got from the United States for her own use and wished to collaborate with us in the political policy of the American States with respect to the Argentine. He further said that so far as Mexican goods were concerned, the exports of goods of Mexican origin to the Argentine were kept to an absolute minimum and that there were practically no exports of any kind of Mexican goods to the Argentine.

I said to the Minister that I was appreciative of the adequate measures which he had taken with respect to both United States goods and Mexican goods and that his collaboration and that of the Mexican authorities was fully appreciated. I said it was my hope and that of my Government that there would be no relaxation on the part of the Mexican authorities in their vigilance in this matter, and he said that I could be assured that there would be no relaxation.

As characteristic of the attitude of the Mexican Government, the Minister said that yesterday, in a conversation which the President had with the Under Secretary of Hacienda, Mr. Beteta, the President had indicated his desire that these regulations with regard to the exportation or re-exportation of goods to the Argentine be most strictly observed.

The Embassy follows this question of shipments to the Argentine most carefully and is in a position to say that the collaboration which we are getting from the Mexican Government in this respect could not be more complete.

I am,

Respectfully yours, GEORGE S. MESSERSMITH

835.24/9–2144 : Airgram

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

SANTIAGO, September 21, 1944.
[Received September 28—5 p. m.]

A–677. The position of the United States Government respecting re-exports of American merchandise from other American Republics to Argentina as reflected in the Department's recent confidential telegram [87] has been brought to the attention of the Chilean Country

[87] See circular telegram, September 15, 6 p. m., p. 350.

Agency (National Foreign Trade Council). The Embassy feels that no useful purpose would be served by any more formal approach to the Chilean Government in regard to this matter inasmuch as upon representations initiated by the Embassy well over a year ago and repeated on various occasions subsequently, the Chilean Government, through the National Foreign Trade Council, has evidenced every desire to prevent re-exports of American merchandise from Chile to Argentina. During this same period of time there has been a firm understanding between the National Foreign Trade Council and the Embassy under which all proposals involving exports of American merchandise to Argentina and exports of materials which would create a greater demand upon the United States in respect to materials in critically short supply are presented to the Embassy by the Council before final action is taken by the latter agency. Without exception to date the Embassy's recommendations have been followed by the Council.

While it is known that there is a certain illicit traffic in merchandise of this character between Chile and Argentina, the Embassy has been kept currently informed respecting measures adopted by the Chilean Government with a view to preventing such traffic and it is believed that these measures have been successful to the point of reducing such smuggling activities to an absolute minimum. For example, see Embassy's despatch no. 9865 of May 30, 1944, file no. 866.12 and despatch no. 7674 of September 28, 1944 [*1943*].[88]

The aforementioned evidences of cooperation on the part of the Chilean Government in preventing re-exports of American merchandise to Argentina and the measures which have been adopted to prevent illicit traffic in this merchandise have been undertaken gratuitously by the Chilean Government in its own interests but it is believed that the definitive statement of policy outlined in the Department's telegram under reference will serve to strengthen the desire of the Chilean Government to apply with even greater vigor the measures and procedures which were adopted upon its own initiative over a year ago.

BOWERS

835.24/9–2244

The Secretary of State to the Chargé in Argentina (Reed)

No. 6133 WASHINGTON, September 22, 1944.

Allegations have been made to the Department of State that the present system for the control of United States exports to Argentina is not only causing competitive difficulties for United States exporters, but is also undermining current United States economic

[88] Neither printed.

policies toward Argentina. As typical of such allegations the Department cites four cases some of which have already come to the attention of the Embassy.

. . . . . .

A common feature of these cases to which the Department calls attention is that British (or Canadian) firms are alleged to be selling commodities to Argentina which United States firms are not permitted to sell, and the Department cites them as illustrations of an important current problem. It appears that United States controls and current economic policies are not properly coordinated with British controls and policies, and that as a result United States exporters are disadvantaged and that United States economic pressure upon the Argentine through export controls is somewhat dissipated. Evidence is accumulating also that some United States firms, either through their home offices or through their connections in the other American republics, are attempting to circumvent our export controls by arranging the re-export of United States merchandise originally shipped to the other republics.

It is evident that our policy of economic pressure in Argentina is seriously threatened by these developments. The Department requests that the Embassy prepare a report commenting upon the specific cases outlined above, and setting forth any additional concrete and specific information along these lines which investigation may disclose.

[File copy not signed]

835.01/9–2944

Statement by President Roosevelt Released to the Press, September 29, 1944

I have been following closely and with increasing concern the development of the Argentine situation in recent months. This situation presents the extraordinary paradox of the growth of Nazi-Fascist influence and the increasing application of Nazi-Fascist methods in a country of this hemisphere, at the very time that those forces of oppression and aggression are drawing ever closer to the hour of final defeat and judgment in Europe and elsewhere in the world. The paradox is accentuated by the fact, of which we are all quite aware, that the vast majority of the people of Argentina have remained steadfast in their faith in their own, free, democratic traditions and in their support of the nations and peoples who have been making such great sacrifices in the fight against the Nazis and Fascists. This was made clear beyond all doubt by the great spontaneous demonstration of public feeling in Argentina after word was received of the liberation of Paris.

The policy of the Government of the United States toward Argentina as that policy has been developed in consultation with the other American Republics, has been clearly set forth by Secretary Hull. There is no need for me to restate it now.

The Argentine government has repudiated solemn inter-American obligations on the basis of which the nations of this hemisphere developed a system of defense to meet the challenge of Axis aggression.

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, both human and material.

In this connection I subscribe wholeheartedly to the words of Prime Minister Churchill in the House of Commons on August second when he declared that:

"This is not like some small wars in the past where all could be forgotten and forgiven. Nations must be judged by the part they play. Not only belligerents but neutrals will find that their position in the world cannot remain entirely unaffected by the part that they have chosen to play in the crisis of the war."

I have considered it important to make this statement of the position of the Government of the United States at this time because it has come to my attention that the Nazi radio beamed to Latin America, the pro-Nazi press in Argentina, as well as a few irresponsible individuals and groups in this and certain other Republics, seek to undermine the position of the American Republics and our associates among the United Nations by fabricating and circulating the vicious rumor that our counsels are divided on the course of our policy toward Argentina.

835.01/10–344 : Telegram

The Chargé in Argentina (Reed) to the Secretary of State

BUENOS AIRES, October 3, 1944—noon.
[Received 12 : 54 p. m.]

2526. Individual reactions to President's statement on Argentina [89] naturally vary according to sentiments and attitudes of persons expressing them. On the whole we feel that effect has been beneficial. Coming on top of suspension of our shipping, President's vigorous condemnation of regime has created awareness of gravity of Argentina's international position. For first time implications of Churchill's warning to neutrals are being fully grasped. Democratic elements have unquestionably been heartened. One prominent editor

[89] *Supra.*

conversing with member of Embassy described it as splendid declaration having fundamental merit of looking toward the long range relationship between our two peoples. He said this opinion was very general here and Rosario where he spent last weekend. Foregoing believed of particular interest in view failure to date of liberal dailies to comment editorially.

Nationalists apparently seeking comfort from theory expounded in their newspapers that President was compelled by reasons of electoral expediency to come out in support of your previous declarations. Tone of editorial comment in those papers also clearly indicates bitterness and exasperation. It is perhaps noteworthy that no member of Argentine Government has thus far attempted to answer or rebut President's statements. However, Farrell left this morning on trip to Misiones and it may be that he will make some reference in one of the speeches he is scheduled to make there.

REED

835.24/10–444

The Deputy Foreign Economic Administrator (Currie) to the Assistant Secretary of State (Acheson)

WASHINGTON, October 4, 1944.

MY DEAR MR. ACHESON: Receipt is acknowledged of your letter of September 9, 1944,[90] and enclosures consisting of (*a*) amendment to that portion of the policy directive, dated August 26, 1943, which covers exports to Argentina,[91] and (*b*) a copy of the directive to War Shipping Administration, which covers imports from Argentina.[92]

Of course, FEA supports the purpose of these policy directives. Attention is called, however, to the fact that while United States exports dropped to 30 percent of the 1941 shipments and will probably shrink further to 10 percent of the 1941 figure under the new restrictions, many of the commodities which Argentina previously obtained in this country are now being supplied her by others, as follows:

Commodity	*Country*
Zinc ingots and sheets; lead arsenate; white arsenic; fibres; pig iron	Mexico
Pig iron; iron pipe; iron bars; graphite; ultramarine blue	Brazil
Calcium carbide; pig iron; iron bars; iron sheets; steel wire; copper; coal	Chile
Calcium Carbide	Canada
Chrome tanning salts; coal	South Africa
Machinery; electric motors; dyestuffs . . .	Switzerland
Steel pipe; steel wire; iron bars; iron sheets .	Spain

[90] Not printed.
[91] For substance of this directive, see *Foreign Relations*, 1943, vol. v, p. 492.
[92] Directive on imports not printed; for the directive on exports, see p. 348.

In addition, a large contraband traffic is growing up between some of the other American Republics and Argentina involving re-export of commodities obtained in the United States and diversion of commodities under procurement contracts to the United States. It is feared, that the curtailment of tonnage out of the Argentine has the effect of replacing the imports to the United States of low value essentials with those of high value non-essentials with little or no effect on the economy of the Argentine.

It is believed that concurrent measures to guard against these conditions are urgently needed. It is assumed that the proposals which were developed in the talks between the Department of State, the Treasury and Foreign Economic Administration are still under consideration and we would like to pursue them further with you.

Sincerely yours, LAUCHLIN CURRIE

835.24/10–544 : Airgram

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

CARACAS, October 5, 1944—11 : 25 a. m.
[Received October 10—5 p. m.]

A–822. The Minister of Finance, Sr. Rojas, has given Groves [93]— of Embassy staff—categoric assurance verbally, that no American merchandise under export control in the United States will be permitted re-export by Venezuelan Government, this in accordance with our desires outlined in your circular telegram of September 15, 6 : 00 p. m.

CORRIGAN

835.01/10–744 : Telegram

The Secretary of State to the Ambassador in the United Kingdom (Winant)

WASHINGTON, October 7, 1944—midnight.

8249. Our Military Attaché in Argentina, who is Dean of Military Attachés, has received intimation from Chief of Argentine Military Intelligence that he intends to recommend that foreign military attachés be invited to attend military maneuvers in Cordoba Province last half of this month. We consider it most undesirable that military attachés of non-recognizing countries should attend these maneuvers. It is evident that Argentine authorities are seeking to utilize relations with foreign military and naval officers for propaganda purposes, suggesting that despite non-recognition they are able to maintain perfectly normal relations with the military authorities of

[93] H. Lawrence Groves, Counselor of Embassy.

other countries. War Department emphasizes importance of British taking joint action with us on this matter. Please discuss matter with Foreign Office at earliest opportunity and express our strong hope that British Military Attaché in Buenos Aires will be instructed not to attend these maneuvers. We have made our views known to British Embassy here, which has undertaken to communicate immediately with London, but in view of shortage of time it has suggested that we also approach War Office directly in London.

Embassy at Buenos Aires has been informed of our views and action taken. Please report British decision as soon as possible.

HULL

835.24/10–1044

The Foreign Economic Administrator (Crowley) to the Secretary of State

WASHINGTON, October 10, 1944.

DEAR MR. SECRETARY: This is in reference to Mr. Acheson's letter of September 9, 1944,[94] outlining further restrictions of exports to Argentina.

This Administration has carefully followed your statements with respect to Argentina. My associates and I fully support the position you have taken. Out of our experience in executing this policy, and out of my deep sympathy with your purpose and my earnest desire to uphold you to the limit of my authority and to cooperate with you in the attainment of your objective, I wish to make some observations for your consideration.

Already Mexico, Brazil and Chile are extensively replacing many commodities which we are denying Argentina; Canada is supplying calcium carbide and South Africa, coal. I can well imagine that the Government of Argentina sustains itself further with the hope that an early end of the European war will bring her an expanded flow of goods from Europe, particularly from Sweden, Switzerland and Spain.

I am sure you are giving serious consideration to the implications of this lack of cooperation by friends and neutrals alike. I can bring it to the attention of those officers of this Administration who are engaged in the study of the problem, but we naturally and properly look to you for leadership in invoking such additional controls as will complement our own export restrictions. I should like to discuss this further with you at your convenience.

Sincerely yours, LEO T. CROWLEY

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[94] See footnote 81, p. 348.

835.01/10–1044 : Telegram

The Secretary of State to the Ambassador in the United Kingdom (Winant)

WASHINGTON, October 10, 1944—6 p. m.

8320. An officer of the British Embassy has informed the Department that the Foreign Office would be greatly aided in its consideration of our request for collaboration in economic measures with respect to Argentina by a clear statement of our objectives. It is difficult for us to believe that the Foreign Office has any doubt about our position, which has been clearly set forth on several occasions in recent months. (Reference is made to the Secretary's public statement of July 26;[95] his note of August 30, in reply to the British note of August 4 on the Argentine situation; his statement to the press on September 7;[96] and the President's statement to the press on September 29.) In deference to the Embassy's suggestion, however, it appears advisable for you to transmit the following message to Mr. Eden:

1. The power which in the final analysis controls the Government of Argentina today is vested in the Campo de Mayo and Club del Plata military-Fascist combine. This group is pro-Nazi, anti-United Nations and is determined to stimulate the formation of the same type of government in other South American republics. No competent or well-informed person or authority denies this fact. The British Government has never disputed the charge.

2. The same military-Fascist group has definite expansionist plans for the domination of South America and is working feverishly to develop a military machine powerful enough to support arbitrary political and economic demands upon its neighbors. It is planning for and anticipates assistance from refugee Nazi technicians, economists and military personnel after the war. If this group is permitted to stabilize and solidify its position through the political tolerance and helpful trade of the principal United Nations it will threaten the peace of South America as soon as its strength permits.

3. So long as this group is in control of *any* Argentine Government, the Government of the United States will refuse to accredit an ambassador to Buenos Aires and will do everything possible to prevent such government from gaining strength through commercial intercourse with the United States.

4. It is the judgment of the Department of State that wholehearted political and economic collaboration by Great Britain would soon mean the end of this sinister control over Argentine affairs and would thus terminate a situation which otherwise may continue for years to come. The Government of the United States is doing everything possible, without prejudice to the main war effort, to combat this situation. It is our considered judgment that Great Britain in not

[95] Department of State *Bulletin*, July 30, 1944, p. 107.

[96] Secretary of State Hull indicated in a press conference in response to a question that evidence would be needed to dissuade him from believing that Argentina would provide an asylum for Nazi war criminals.

following a similar course and particularly by its actions in the economic field, is inevitably encouraging the present regime to believe that it can ultimately divide Great Britain from the United States.

Since receiving the text of Eden's letter of September 7, relative to the Argentine meat contract (reference Embassy's Cable 7352, September 7 [*8*][99]) the Department has made several representations to the British Government in which it has questioned the need for signing any contract at all in the immediate future and has unqualifiedly opposed the conclusion of a long term contract. On September 16 I presented the matter to Halifax in the strongest possible terms and later summarized my statements in a memorandum transmitted to the British Embassy on September 25.[1] I again reviewed the situation with Halifax on September 30 and reiterated our views on the desirability of continuing spot purchases and on the lack of need for a contract at this time.

I believe that our representations, which have been supported by the President with the Prime Minister, have been so expressed as to make it clear beyond question that this Government considers the Argentine problem one of major policy.

Notwithstanding the clear expression of our position, the Foreign Office has manifested almost complete indifference to our views and has apparently permitted the Ministry of Food and other agencies in London to give the Argentines ample ground for the belief that a four-year contract is an ultimate certainty. The British Government has, at least indirectly, been responsible for news despatches which have undermined our position in Argentina and throughout the hemisphere.

In your most recent cable on this subject (Embassy's 1879 [*8179*], September 30, 4 p. m.)[99] you state that the Ministry of Food, apparently continuing to proceed without regard to our position and the questions raised by our highest authorities, intends to sign a contract which would be directly opposed to our political position.

There is no justification for a four, three, or even two year contract from the standpoint of the emergency war situation. Ten months elapsed before the last contract was signed in July 1943 and there is no reason whatever to believe that a program of spot purchases for the same period would not obtain all the meat supplies which England requires.

As you were informed in the Department's instruction no. 4602 of October 3,[99] and as I advised the British Embassy in our memorandum of September 25, the Army has cancelled its order for 43,000 tons

[99] Not printed.
[1] Not found in Department files.

Argentine canned meat. The effect of this action, however, would be completely nullified by a British purchase of the entire Argentine exportable surplus.

All reports that we have with regard to the anxiety of the Argentines to conclude a meat contract with England, for psychological and political reasons, as much if not more than for economic reasons, demonstrate that there is little danger that continuation of spot purchases would result in reprisals in the form of an embargo on meat.

In presenting the foregoing views to Eden, please inform him that we cannot divorce our consideration of this matter from our consideration of British requests for our cooperation and assistance on a much more substantial scale in other areas. What we are asking could at worst involve only a minor sacrifice and no serious hazard to British interests.

HULL

President Roosevelt to the British Prime Minister (Churchill)[2]

[WASHINGTON,] 10 October 1944.

No. 628. We have been informed by Winant that the Ministry of Food now intends to conclude a 4-year contract for the exportable surplus of Argentine meat with prices firm for the first 2 years. Winant does not state whether the proposal of the Ministry of Food has been approved by the Government.

I feel very strongly that the conclusion of any contract at the present time would seriously prejudice our entire stand and would create the impression in Argentina, throughout the American republics, and in this country that we are not standing together on this important problem. Your people here in Washington have undoubtedly informed you that the position which we have taken toward Argentina has the overwhelming support of our press and of all sectors of our public.

You will recall that your people negotiated for 10 long months before you signed up your last contract with Argentina, and that was done before the Colonels [3] took over in Buenos Aires.

For the reasons which I have expressed to you on several occasions, and which I recently expressed publicly,[4] I hope you will continue on a month to month basis for some time to come. I feel that we can break this problem if we present a firm united stand during the weeks immediately ahead.

ROOSEVELT

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[2] Copy of telegram obtained from the Franklin D. Roosevelt Library, Hyde Park, N.Y.

[3] Term applied to the predominantly military character of the regime in power.

[4] Statement to the press, September 29, p. 356.

The British Prime Minister (Churchill) to President Roosevelt[5]

LONDON, October 13, 1944.

No. 796. Your number 628. I have given instructions to the Food Minister that no long-term contract is to be negotiated for the next couple of months or so and that we are to proceed meanwhile on a month to month basis during which time we can discuss the matters further.[6]

We are worried for fear that French, Belgian and presently the Dutch will come into the market with plenty of gold. Nevertheless we shall make no arrangement at present time but later on I must address you again on the subject.

835.24/10–1644 : Airgram

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

MEXICO CITY, October 16, 1944—noon.
[Received October 18—5 p. m.]

A–3758.

. . . . . .

Mr. Suárez wishes to cooperate closely with us in reference to prohibiting the exportation from Mexico to the Argentine of quota products from the United States and also of certain essential articles produced in Mexico. However, he now finds himself in a difficult position with the 140,000 tons of corn which he has in storage in the Argentine. His position is that we cannot help him transport it and, consequently, if he cannot find some means of inducing owners of Argentine vessels to transport it to Mexico for him, he will lose the corn which has a value of over 3 million dollars. He says that Mexico does not have the ship bottoms in which to transport the corn and that Argentine ship owners will not bring it to Mexico on a reasonable freight basis unless they are guaranteed a satisfactory return tonnage. Naturally, the Argentinians are looking for steel and steel products, zinc, pig iron, industrial chemicals and other products of equal important categories which we do not want Argentina to receive from Mexico. There seems to be no doubt that Mr. Suárez will continue to cooperate with us by prohibiting the re-exportation of quota products from the United States, but he is having his difficulties with the trafficking that is taking place in export licenses, which means that certain shipments would slip through unless the Embassy brings them to his attention and he issues a special prohibi-

[5] Copy of telegram obtained from the Franklin D. Roosevelt Library at Hyde Park, N.Y.

[6] Text of the foregoing sentence amended as requested by Prime Minister Churchill in telegram 797, October 14, 1944, not printed.

tion on the particular shipment. While the Embassy and the Consuls at Tampico and Veracruz will be ever vigilant in this matter, the entire problem is under discussion with Mr. Suárez in the effort to work out some solution that will afford a tighter control.

BURSLEY

President Roosevelt to the British Prime Minister (Churchill)[7]

[WASHINGTON,] 18 November, 1944.

No. 651. Early in October you were good enough to agree to defer for a while the signature of a meat contract with the Farrell regime in Argentina. Your refusal to sign a contract has helped us tremendously. It has increased the uncertainty which has driven the Colonels to a desperate condition.

We believe that if our tactics can be continued, we have a very good chance of putting an end within a reasonable time to a Fascist regime that otherwise would be a threat to the peace and security of this continent for many years to come.

I have been concerned to hear recent reports that you may shortly take up the matter of the Argentine meat contract with us again.

It is my strong personal conviction that if you sign a meat contract with the Farrell regime the consequences will be disastrous and much more far reaching than we have been able to make some of your people understand. Such action would be propagandized by the Argentine regime to demonstrate a division between us; it would strengthen both their domestic and their international position; and because our own people feel so strongly about the Nazi threat on this continent while their sons are fighting all over the world, such action would have repercussions in the press, in public discussions, and in Congress at a most unfortunate time.

The British Prime Minister (Churchill) to President Roosevelt[7]

LONDON, 26 November, 1944.

No. 832. 1. You will by now have received the print I sent you about the Argentine and British meat contracts. May I ask you to read again my telegram of 14th July 1944, with its enclosure of the minute by the Food Minister in which you will see that the contract mentioned was one of three-four years. It was in reply to this telegram that you sent your 730 [*588*] of July 23d [*22d*], which began "I would not do anything in the world to cut down the supply of meat to England.

[7] Copy of telegram obtained from the Franklin D. Roosevelt Library, Hyde Park, N.Y.

Heavens knows that it is quite short enough. We would do nothing to prevent your getting a new contract". See also the last sentence of my reply to Stettinius of August 5th.[9]

2. It is perfectly clear there that we had your full agreement in making a three-four years contract in July. However on October 11th you sent me a strongish telegram [10] to Moscow asking that we would continue on "a month to month basis for some time to come". In order to meet your wishes at a critical time I agreed "that no long-term contract is to be negotiated for the next couple of months or so and that we are to proceed meanwhile on a month to month basis during which time we can discuss matters further".[11]

3. The "couple of months or so" is now nearly up and of course the Food Minister wishes to make his contract. I have however already received your number 651 [12] in which you express a wish for further prolongation of the month to month basis. From the beginning I have told my colleagues that owing to our financial relationship and the scale on which you are helping us to play our part in the common war effort and for many other kindly and friendly acts I would not allow money to count in the matter. I have absolved the Minister of Food from his duty of making the most thrifty contracts in his power and have said that only if our food supply in beef and mutton is endangered should we have to resist your desires.

4. I have put this matter strongly to the Cabinet and they agreed about the money aspect and also felt the risk of our losing our meat supply might be accepted in the near future. In consequence we shall be prepared to continue on a month to month basis for six months from 1st December 1944. We do this on the understanding, to which I am sure you will agree, that all your influence and weight will be used to keep other buyers out of the Argentine market and make sure they do not get refrigerated cargo space. We hope this will be satisfactory to you. It is always my earnest desire to assist you in any way we can, having regard to all the many things you do for us.

5. Since however I brought this matter before the Cabinet I received the document contained in my immediately following telegram.[13] I was of course very much hurt that this form of pressure

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[9] Not printed: this was a message of thanks and a request not to "forget our beef and mutton".

[10] Telegram 628, October 10, p. 363.

[11] Telegram 796, October 13, p. 364.

[12] *Supra.*

[13] No. 833, not printed. It quoted a letter from the Counselor of Embassy in the United Kingdom (Gallman) to the Head of the South American Department of the British Foreign Office (Perowne) requesting information as to what steps the British Government was prepared to take with respect to Argentine imports and exports and stating that until such information was received the Department of State was reluctant to authorize the export of any products from the United States which would be used in connection with Argentine exports to

should be applied to us, and I hope it will not be thought that the Cabinet was aware of it or influenced by it at the time they agreed to my request. It seems almost to amount to a threat of indirect blockade arising out of a matter on which I have your promise of July 23d.[14] I feel sure that you yourself were not aware that this document was being sent to us and certainly Ambassador Winant knew nothing of its delivery.

I am therefore withholding it from circulation to the Cabinet.

PRIME

740.00112 European War 1939/12–444 : Telegram

The Ambassador in the United Kingdom (Winant) to the Secretary of State

LONDON, December 4, 1944—7 p. m.
[Received 8 : 27 p. m.]

10700. We have just received reply from the Foreign Office on the general questions of exports to and imports from Argentina. It reads as follows:

"My dear Ambassador, I fear that much delay has proved inevitable in giving you our considered views on the suggestions of the United States Government for the curtailment of our economic relations with Argentina, a matter of such far-reaching importance to this country that it has required the most careful and exhaustive examination by all the interested departments of His Majesty's Government. This study has been carried out with the earnest desire to meet, if at all possible, the wishes you expressed on behalf of your Government as I know they will realize.

2. I should like to take this opportunity to assure them once again, through you, that we do entirely appreciate the importance which they attach to an early solution of the problems presented by the existing political setup in Argentina, and that we are at all times anxious to help them over this to the limit that our powers and situation permit. Our capacity to help in economic ways is, however, very definitely limited by considerations of a severely practical nature, as I hope to explain in this letter. Understanding of the American position and good will to assist are most emphatically not lacking, but there are certain risks which we simply cannot afford to take, especially at this stage in the war, after all the trials to which our people have been exposed.

3. It will, I think, first be convenient to recapitulate the recent correspondence on this subject.

4. In a letter of the 14th August,[15] you communicated to me a message from the Department of State to the effect that the United States

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the United Kingdom. The immediate question was the granting of an export license for 13 tons of synthetic rubber which was needed in a sealing compound for the Argentine meat pack that was intended for the United Kingdom.

[14] See telegram 588, July 22, p. 333.

[15] Letter based on telegram 6339, August 11, 11 a.m., to London, p. 342.

Government proposed to cease purchases of all Argentine products except those absolutely essential to the prosecution of the war, and suggested that this reduction must be correlated with parallel British action in order to be effective. In your subsequent letter of the 23rd August, you communicated a tentative list [16] of industrial and agricultural items in the United States-Argentine import programme which might be reduced or eliminated if it should be decided to cut the current level of this programme.

5. In my letter to you of the 25th August,[17] I stated that we could clearly not wish to discourage your Government from discontinuing any inessential purchases from Argentina at the present juncture, but that, so far as we were concerned, we should be very surprised if it were found that we ourselves were making any non-essential purchases in that country. The result of the detailed investigation which we have since made has shown that my impression was correct. For shipping and currency reasons, we have never been eager to take from Argentina anything that we did not really need, and I can now definitely confirm that we have for some considerable time confined our purchases in Argentina to materials which we are bound to look on as absolutely necessary either for the prosecution of the war or for the maintenance of the essential economy of the United Kingdom and which cannot be obtained elsewhere. So long as the present emergency lasts, therefore, we are simply not in a position to help by giving effect to any suggestions that our purchases from Argentina should be reduced below their present level.

6. On the 11th September, you wrote to inform me of a further series of economic measures, directed against Argentina,[18] which the United States Government proposed to take, in particular a drastic reduction in exports to approximately 10% of their 1941 value. His Majesty's Government were invited to cooperate by effecting a parallel reduction in their exports to Argentina.

7. In discussing this proposal, it must be recalled that there are certain fundamental differences in the economic position of the United States and the United Kingdom with regard to Argentina, which, though familiar enough, are sometimes perhaps overlooked.

8. Both the United States and Argentina are large suppliers of Agricultural produce, and in normal times the primary products of Argentina are of little interest to the United States, which even today can afford to reduce or eliminate purchases in Argentina, or exports to that country, with but slight and transitory, if any, inconvenience.

9. The economic systems of the United Kingdom and Argentina, on the other hand, are complementary and have for generations been closely interdependent. We are, as you are aware, unable adequately to supply our dense industrial population with food and raw materials from our own resources and those of our Dominions.

Argentine supplies have traditionally been of the greatest importance in filling this gap. Our dependence on Argentina, in spite of the volume of supplies furnished by the United States under lease-lend, has been intensified by the present war (which has necessarily

[16] See telegram 6629, August 19, midnight, to London, p. 344.
[17] Not printed.
[18] Based on telegram 7285, September 8, to London, not printed.

involved the retention of large quantities of Dominion foodstuffs in the area of the Pacific War) and is significantly illustrated by the accumulation in London of large sterling balances in favour of Argentina because, during the war, we have been unable to liquidate the adverse balance of our trade by paying in goods, services or gold for the foodstuffs and raw materials we have received.

10. Argentina's willingness to accept sterling up to the present stage of the war has, of course, been based on her trust that such sterling will, in the not-too-distant future, be realizable in the form of goods. Our exports to Argentina have, however, been progressively and drastically reduced since the war began, not least because of the conversion of so enormous a proportion of our industries to war purposes. In 1939 the last normal trading year, exports from this country amounted to 297,000,000 pesos: In 1944 on the basis of the first six months, it is anticipated that they will not exceed 100,000,000 pesos, none of which can be of benefit, for example, to the Argentine armed forces or the Argentine arms industry, while imports over a similar period have increased from 565,000,000 to 868,000,000. To our regret therefore, we are not at present in a position to impose any specific percentage reduction on our exports to Argentina, but the situation will be watched constantly in case it should seem possible to do something on the lines which have been suggested.

11. The latter part of your letter of the 11th September defines under eight heads the proposed revised export policy of the United States. While I would not propose to comment on the measures contemplated at any length, I should like to recall that the general attitude of His Majesty's Government to such matters, indeed to the whole question of our war-time economic relations with Argentina, was defined in a letter addressed by Sir Ronald Campbell to Mr. Sumner Welles on the 11th December, 1942,[19] after the consultations between our Governments in regard to the first Argentine policy directive. This letter explained that His Majesty's Government would cooperate in the policy in question, subject to one general reservation (the importance of which is specially great today in view of the vast relief programmes which have been set on foot), namely, the maintenance of the conditions necessary for the continuance of United Nations imports from Argentina at the level required for the prosecution of the war.

12. In conclusion, may I be permitted to mention a few points under some headings of the list of revised measures contemplated by the United States?

13. In regard to (2), virtually no exports of oil field equipment have been made from the United Kingdom to Argentina since the end of 1942, but it will, I think, be readily appreciated that we could not further reduce our fuel oil exports to Argentina without the risk of curtailing our essential imports from Argentina. For example, a reduction in oil might lead to the increased use of linseed, wheat, et cetera, for fuel, and hence to a reduction in the export of foodstuffs to the United Kingdom. Similarly, a reduction in lubricants involves the curtailment of the use of harvesting equipment. Crude oil on the

[19] Not printed; the letter was addressed to Mr. Welles as Under Secretary of State.

other hand presents no special problem and some supplies are in the process of being diverted from Argentina to Canada.

14. As regards (3) the supply of foodstuffs to the United Nations and for the relief of the war-stricken countries is a matter of such paramount importance that I feel sure it will be readily appreciated by the United States Government that it is desirable to maintain the Argentine railways at the requisite level of efficiency to achieve this objective.

15. Finally I feel I should explain, in connection with the procedure proposed in (7), that navicerts and certificates of origin, which in our view are essentially instruments of the blockade control of the enemy, cannot in view of prize court law to which His Majesty's Government's actions are subject, be used for the purpose of restricting exports to Argentina except in a very limited and clearly defined degree. So far as the exports by European neutrals are concerned, our belligerent rights entitle us to refuse consular certificates of origin in cases where (*a*) an enemy financial or other interest exists, or (*b*) the goods have an enemy content in excess of a permitted percentage. These rights do not entitle us to refuse, on grounds other than those set out above, facilities in respect of transactions between neutral countries in which there is no enemy interest.

16. The limitations that are imposed by the essential supplies required from Argentina on the degree of economic assistance that this country can afford the United States were set out in Sir Ronald Campbell's letter of the 11th December 1942 to Mr. Welles. Further light is thrown upon them in the report of the Combined Food Board of the 5th April of this year addressed to the State Department and His Majesty's Embassy in Washington.[20] Unhappily these limitations remain after nearly two further years of war since Sir Ronald Campbell wrote his letter. Outside these limitations, His Majesty's Government would at all times be ready to discuss with the United States Government all forms of cooperation that might contribute towards a solution of the Argentine problem, but the limitations are very definitely there, and have influenced the substance of my present letter, which I wish could have been more helpful to you.

Yours sincerely, Anthony Eden."

In connection with the foregoing, see our 10255 of November 22, 3:00 p. m.[21] and previous telegrams.

WINANT

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[20] Not printed; this report concluded that all supplies available were being used to the fullest extent; any cut in Argentine supplies would have to be made up by a reduction of civilian consumption in the United States and Canada; the British Ministry of Food could not contemplate any further reduction in stockpiles if it were to fulfill its commitments to the Supreme Commander, Eisenhower (835.50/180).

[21] Not printed.

841.244/12–544 : Telegram

The Secretary of State to the Ambassador in the United Kingdom (Winant)

WASHINGTON, December 5, 1944—5 p. m.

10178. Please deliver the following message:

"The Right Honorable
Winston Churchill, M. P.
Prime Minister, London.

I am deeply grateful for your message (No. 832 November 26, 1944) informing me of your decision to continue purchases on a month to month basis for a further 6 months' period. We will do everything in our power to satisfy your understanding with respect to other buyers as well as with respect to refrigerated cargo space to which you refer in paragraph 4.

I am sorry about the apparent misunderstanding mentioned in the last paragraph of your message, and concerning which I, of course, had no prior information. I believe, however, that you will discover, as I did on further investigation, that the document quoted in your 833 [22] did not refer to the matter of the meat contract, on which we exchanged messages in October, but to the general programming of your other imports from and exports to Argentina about which the Department of State submitted inquiries to the Foreign Office in August and September. This message was intended to be an inquiry on a matter of common interest and, of course, in no sense a threat.

I am confident, however, that this matter can readily be adjusted and I want again to thank you for your helpful message.

Franklin D. Roosevelt"

STETTINIUS

740.35112A/12–1644 : Airgram

The Chargé in Argentina (Reed) to the Secretary of State

BUENOS AIRES, December 16, 1944—1 p. m.
[Received December 26—5 p. m.]

A–936. The urgent attention of the Department is requested for a review of the policy statement contained in its telegram 1378, September 4, 7 p. m.[23] The Embassy's views toward the proposed policy were transmitted in its telegram 2303, September 6, 6 p. m.,[24] wherein full accord was expressed on the condition that the Department outlined, namely that cooperation would be obtained from the British and other supplying countries. The Embassy refers further to the request in the Department's 1746, December 4, 8 a.m. [*p.m.*] [24] for a list of a

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[22] See footnote 13, p. 366.
[23] *Post*, p. 420.
[24] Not printed.

few commodities important to Argentine economy for which it is dependent upon the United States so that strict control can be exercised over their exportation.

The Department is requested to analyze these instructions in the light of the following facts:

1. *The British are disregarding the September policy.*

Only one ship from Great Britain arrived in Argentina with general cargo from June 27 to September 28. Since that date three British ships, whose manifests on official British stationery are in the possession of the Embassy, and which left England since the September policy became effective, have arrived in Argentina. They carried a wide assortment of industrial chemicals (most of which were greatly in excess of such shipments during the first 6 months' period), drugs, manganese ore, gums and resins, abrasives, anilines, bearings, and a variety of miscellaneous products. Since November 1st, five other British ships have arrived with either soda ash, caustic soda, or bicarbonate of soda as the sole cargo. These products are the backbone of the Argentine heavy chemical industry. All of these products are denied export licenses under current United States policy. Moreover, local British firms are daily advertising their willingness to accept orders for early delivery of a large variety of industrial, agricultural, and consumer goods.

Imports from Great Britain to Argentina in the 3-month period, July, August, and September, 1944, according to Argentine official statistics, were valued at 7,779,381 pesos. During October alone, such imports were 5,003,549 pesos. November figures will be much higher as more British ships have unloaded in Argentine ports.

In this connection, it has come to the attention of the Embassy that, acting upon instructions from London, the Anglo-Ecuadorean Co. of Ecuador and the Lobitos Oil Co. of Peru have just signed new petroleum supply contracts with Argentina. Reference Embassy's A–916, December 7, 10 a. m.[25]

2. *South Africa is maintaining and increasing exports to Argentina.*

South Africa has shipped to Argentina since October 1st such products as bichromates, acids, coal, coke, tanning specialities, asbestos fiber, Karaya gum, graphite, chrome ore, calcium carbide, manganese ore, gum Arabic, and magnesite.

During the first 10 months of 1944, Argentine imports from South Africa were valued at 21,246,341 pesos as compared with 9,070,516 pesos for the same period in 1943. September, 1944, imports were 2,715,058 pesos; October 2,979,929.

[25] Not printed.

3. *The European neutrals are expanding their shipments to Argentina.*

Since October 1st, Spain and Switzerland (via Portugal) have exported to Argentina the following items: iron and steel semi-manufactures, hardware and tools, pharmaceuticals, crude drugs, aniline dyes, DDT insecticide, essential oils, drugs, herbs and roots, iron oxide, chemicals, metal working machinery.

4. The British through their shipping and navicert controls, have approved such South African, Spanish, and Swiss shipments.

5. *Mexican exports to Argentina are higher today than in any previous period.*

Since October 1st, Mexico has exported to Argentina pig iron, iron sheets, zinc sheets, mercury, calcium carbide, ferromanganese, ferrosilicon, pyrethrum flowers, turpentine, tragacanth gum, white arsenic, and drugs, all of which are uncommon items in Mexican-Argentine trade.

During the first 10 months of 1944, Argentine imports from Mexico were valued at 13,328,026 pesos as compared with 5,849,942 pesos for the same period in 1943. September, 1944, imports, were 2,737,178 pesos; October, 2,965,417. Imports for these two months thus equalled ten months of 1943.

6. *Brazil is increasing exports to Argentina to a tremendous degree.*

Since October 1st, Brazil has exported to Argentina such rubber goods as hose, bicycle tires, belting, tubes, combs, heels, shoes in quantities greatly in excess of previous years; shellac, bichromate of soda, iron strip, pig iron, iron pipe, welding electrodes, bauxite, caffeine, bicycle spares and accessories, graphite, abrasives, electric wire, and cable, ferrosilicon, sewing machines, and cooperage materials.

During the first 10 months of 1944, Argentine imports from Brazil were valued at 284,209,864 pesos as compared with 160,577,019 pesos for the same period in 1943. September, 1944, imports were 28,993,974 pesos; October, 41,455,204 for a 42% increase since the establishment of the September policy.

7. *Chile is maintaining its export trade with Argentina.*

Since October 1st, Chile has exported to Argentina sulphur, iron sheets, pig iron, concrete bars, iron strips, wire, coal tar, formaldehyde, barium chloride, copper, wire, ferrosilicon, calcium carbide, copper sulphate, tinplate, coal, and such commodities as aspirin and essential chemicals via the Andean passes.

During the first 10 months of 1944, Argentine imports from Chile were valued at 39,023,360 pesos as compared with 30,789,449 pesos for the same period in 1943. September, 1944, imports were 8,251,073

pesos. October 6,754,296. October imports from Chile for 1944 exceed October, 1943, imports by 5,028,914 pesos.

8. During the first 10 months of 1944, Argentine imports from the United States were valued at 123,385,803 pesos as compared with 156,105,753 pesos for the same period in 1943. September, 1944, imports were 13,067,648 pesos; October 13,716,161. Such imports comprised drugs and medicines for the public health of Argentina, tinplate and packing house supplies, railway and public transport equipment, and products essential to industries producing goods for the United Nations. The United States has consistently rejected export licenses since September 9th that did not come within the scope of that policy. Moreover, further contrast is found in the fact that no United States-flag ship has brought merchandise to Argentina since such policy was announced.

Observations

A. The September policy rested on the theory that the Argentine public health, the essential public services of the country and those of its industries contributing to the United Nations war effort, could be maintained and sufficient pressure nevertheless exerted upon the remainder of the Argentine economy to accomplish some objective of value.

B. The Embassy believes that such a policy might have had a reasonable chance of success had the cooperation of the British and other American Republics been immediate, honest, and effective. Reference again is made to its Telegram 2303, September 6, 6 p. m.

C. Such cooperation today is non-existent.

D. The Embassy possesses no information which leads it to believe that the maintenance of the policy will produce greater cooperation in the future.

E. The Embassy believes, therefore, that the September policy is a failure and that its maintenance is contrary to the best interests of the United States in Argentina.

Today the United States is supplying the essential needs and services of Argentina while the British and the other American Republics are filling, to the extent of their respective capacities, the desires of the remainder of the Argentine economy. The Embassy cannot ignore the consequences of this curious and harmful situation. Today the United States—in the face of the apparent British refusal of cooperation—is supplying and maintaining the bases of British influence in this country, the railroads, the *frigoríficos*, and the public utilities, and at the same time sacrificing the position of American business, predominantly in what is now called the "non-essential" field, often to its British competitors. Nor can it be claimed that such

exports are appreciated locally. Today the policy of the United States is popularly understood to be one of sanctions against Argentina. In the light of British and other shipments, there is no public resentment against the Government as the responsible party for present restrictions, but only against the United States. No nation today enjoys less popularity in Argentina than the United States, a reputation purchased with no critical effect upon the Argentine economy, with a decided psychological and material increase in the local British position, and with grave prejudice to present and future American business. The Embassy is increasingly aware of the fact that of all the interested parties, the Argentine Nationalists, the British traders, and the rising commercial interests of other American Republics, it alone, as the representative of American interests here, has reason to object to the prolongation of such a situation.

Suggestions

The Embassy believes that British cooperation is the nub of the problem, a cooperation applicable both to its own export trade and through shipping and navicert controls, where appropriate, to the other exporting countries. Once British cooperation is assured, the Embassy feels that the problem presented by the exports of the other American Republics will become less significant and more capable of solution. The Embassy most strongly urges that representations again be made to the British for complete and effective unity of policy toward Argentina. Such a representation, the Embassy feels, should be distinguished from former requests by the willingness of the Department to adopt, in the event of a delayed or partial response, one of the following alternatives.

I. *Effective Unilateral Action*

The instruction contained in the Department's 1746, December 5 [*4*], 8 a. m. [*p. m.*], indicated that the Department and the FEA are endeavoring to find a small group of commodities important to the Argentine economy over which strict United States export control can be exercised. There is such a group, but it is protected by the present umbrella policy of the United States which shields both the heart of the Argentine economy and the bases of the local British position from the effects of restrictive economic policy. That group of commodities is coal, coke, petroleum products, tinplate, and maintenance supplies for the transport and utility systems. The United States is the principal or exclusive supplier of these commodities today. A policy which excludes such commodities from economic action partakes more of the nature of an irritant than a cathartic. So long as the United States is willing to undertake the unqualified supply of such products, underwriting as they do the stability of basic Argentine industry and local British investments, the Embassy does not believe that British

599-037—67——25

cooperation will be forthcoming. The Embassy would further emphasize that their supply permits the devotion of local fuels and lubricants to other industries and provides accordingly a secondary stability of Argentina's economic structure.

The Embassy therefore recommends that the Department undertake a new appraisal of the Argentine supply situation. If it is apparent that the United States is compelled to pursue its policy unilaterally, then the Embassy feels that respect for the reputation of the United States in South America and for the position of American business in Argentina compels that policy to be made as effective as possible. This would involve the total cessation of exports from the United States of coal, coke, petroleum products, tinplate, and maintenance supplies for the transport and utility systems. Either tacitly or openly, the future of such supplies should be presented to the British as the condition for their full cooperation.

The position of drugs and public health supplies in the current Argentine situation is now being reviewed by the officers of the Embassy in charge of this work. A full report with the Embassy's recommendations will shortly be forwarded to the Department.

II. *Protection of the Interests of the United States*

If the Department is unwilling to adopt the severe restrictive measures contemplated above, even as a basis for negotiation with the British, there is an alternative course. This would involve trade competition and protection. The United States should proceed to license for export to Argentina all merchandise available and should especially encourage the exportation of those items from the United States which, now in the hands of the British and Latin American traders, are presently sabotaging the September program. The obligation of the United States to maintain a program whose only significant effect is to displace the position won over a period of years by American business is assuredly not without limit. The political implications of such a course may be held to preclude its acceptance. However, the Embassy wishes to emphasize that if the full economic recognition of the present Argentine administration by Britain and the other American republics cannot be altered, the absence of political recognition rests on an extremely uneasy basis. If either the present anomaly should continue, or the diplomatic front be suddenly broken, the interests of the United States in Argentina will suffer an injury whose permanent effects in terms of economic discrimination cannot be calculated.

It seems apparent that any representations to the British with regard to Argentina, not buttressed with the alternative of independent United States action, are futile. Neither alternative presented here is entirely satisfactory. Both, however, have the merit of consistent

and effective action, advantages which it is difficult to claim for the present situation.

The Embassy earnestly solicits the attention of the Department to the foregoing and requests an early instruction governing the considerations outlined. So that the effects of possible action may not be impaired, the Embassy proposes to defer the processing of all Certificates of Necessity which would be recommended for approval under current policy, pending receipt of the Department's instruction.

It will be greatly appreciated if the Department will inform the Embassy promptly, by cable, of any decision which will involve a change in the current policy in order that Certificates of Necessity may be properly processed without necessity for delay or revision.

REED

CONCERN OF THE UNITED STATES IN THE ARGENTINE HANDLING OF ESPIONAGE CASES [26]

862.20210/2706 : Telegram

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

BUENOS AIRES, January 26, 1944—2 p. m.
[Received 3:16 p. m.]

219. My telegram number 1849, August 12, [1943,] 7 p. m.[27] Foreign Minister [28] has informed me that included in a number of arrests police have rearrested the six German spies listed in telegram under reference.

ARMOUR

740.0011 European War 1939/32855 : Telegram

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

BUENOS AIRES, January 26, 1944.
[Received January 26—10:02 p. m.]

223. Following is text of address broadcast by President Ramírez [29] this morning.

. . . . . .

"The history and tradition of our country have shown that the Argentine Republic has maintained at all times a foreign policy of true, loyal and unwavering friendship towards free peoples. That conduct, honorable in the principles that sustain it and in the practice

[26] For previous correspondence, see *Foreign Relations*, 1942, vol. v, pp. 200–261, *passim*.

[27] Not printed, but see footnote 12, p. 232.

[28] Gen. Alberto Gilbert.

[29] Gen. Pedro P. Ramírez. For correspondence on the United States recognition of the Ramírez regime, see *Foreign Relations*, 1943, vol. v, p. 365.

of its application, has inspired the words of our delegates before great congresses and conferences, proclaiming the juridical equality of states, and sustaining the inviolability of the self-determination of peoples.

The hospitality which the Argentine Government and people extend to foreigners within their territory shares in those principles, and is guaranteed by noble, broad, and generous feelings. Therefore, the least that the nation can require from those foreigners who live and work within its frontiers is a loyal reciprocation of feeling and an indubitable respect for republican institutions.

Faced with the present war which is convulsing the entire world, the Argentine Government decreed and maintained the neutrality of the nation. In accordance with the aims of the government, this policy had one single intention, one single goal; the fulfillment of the traditional policy of Argentina towards conflicts abroad.

With regard to the nations of America, our country moved by immutable feelings of brotherhood, which have their origin in history, geography, in race, and in the identity of institutions—adopted a formula of cooperation and solidarity that is based on friendship rather than juridical principles. In this way economic cooperation and spiritual solidarity have not, up to now, been impaired nor lessened. Inspired by this policy the Argentine Government has logically been obliged, not only to defend the sovereignty of the nation by maintaining strict vigilance and providing for her territorial security, but also by preventing with the full authority of its armed forces any ideological infiltration; or any overt or hidden action that might be contrary to the high interests of the country.

We are faced with facts that have been verified by the Federal Police of the nation which reveal a secret and organized system of espionage and war information, attributable to the Axis countries.

The national sovereignty has, then, been impaired under the protection of the friendly hospitality guaranteed by the constitution of Argentina to all men who live within her territory.

The government, in its dual character, as the supreme and genuine representative of the Argentine people and the authentic voice of the armed forces, assumes under these serious circumstances the responsibility of a clear-cut attitude, backed by the intimate feelings and patriotic spirit of all citizens of the republic.

In view of the gravity of these facts, which are offensive to Argentine feelings, the continued presence among us of the diplomatic representatives of Germany and of Japan becomes inacceptable. There are no attenuating factors; there are no possible explanations to justify the actions and plans of those who, within the republic or in contact with it, are working against the national sovereignty, as pure and intangible as the symbols of the nation. . . ."

. . . . . .

ARMOUR

740.0011 European War 939/33000a: Circular airgram

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

WASHINGTON, January 31, 1944—6 p. m.

For your information, there is repeated the text of the statement made by Mr. Eden in the House of Commons, January 27, 1944, concerning the attitude of his Government toward the severance of relations with the Axis by Argentina:

"It will be recalled that, on September 27th, 1943, His Majesty's Government publicly announced their disappointment that successive Argentine Governments should have maintained a policy of neutrality which left Axis nationals free to conspire on Argentine soil against the interests and security of the United Nations. In their reply, published the following day, the Argentine Government reciprocated our desire for friendship, but denied that it was still the case that harm might come to the security and interests of the United Nations from action organized from Argentine territory. The Argentine Government added that should, nevertheless, any incident occur, punishment would be swift and inexorable, and they reaffirmed their determination to work for closer relations with this country. Some time later, His Majesty's Government decided, on the basis of information in their possession, to detain the Argentine national Hellmuth on his way from Argentina to Europe. The information which, as a result, they were subsequently in a position to furnish to the Argentine Government, led to the latter's decision, made public on January 22nd, to hold an investigation into the existence of an enemy espionage organization on Argentine territory. The announcement also stated that a number of persons had already been detained, and that appropriate sanctions would be applied against those responsible, in order to put an end to all activity contrary to the international policy of the Argentine nation. On January 26th, the Argentine Foreign Minister announced that his Government had decided to break off relations with Germany and Japan. His Majesty's Government welcome the news that Argentina has, as they have always desired, at last abandoned her neutrality. They confidently expect that the formal act of rupture will be followed by immediate and effective action against the whole spy organization, and that not only will German and Japanese officials and those of other enemy or enemy associated countries be expelled from Argentina as soon as possible, but that steps will also be taken to put an end to all undesirable enemy activity on Argentine soil. It is by such action that the Argentine Government can most effectively and quickly dispel the anxiety inspired by a number of recent developments in that country, which I need not further specify. I may mention that we have already told the Argentine Government, in reply to a request from them, that we shall be glad to help them in their investigations. I must add that His Majesty's Government have been in the closest touch throughout with the Government of the United States of America, and that the exchange of information and views between our two governments has been of the fullest, frankest, and most cordial nature."

HULL

800.20235/388a : Telegram

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

WASHINGTON, February 2, 1944—11 p. m.

198. With reference to your telephone conversation with Duggan [30] on January 31, the Department feels that possibly the Argentine Government is particularly anxious to find out how much we know concerning espionage activities in that country. The security agencies of this Government are extremely reluctant to submit additional evidence on espionage to the Argentine Government at this time feeling such action would inevitably reveal highly confidential methods by which information has been obtained. The continued presence in the Argentine Government of individuals who have been outspokenly pro-Nazi serves as another reason for withholding this information.

When appropriate action has been taken on information heretofore submitted to the Argentine Government, including the November 1942 memorandum, this Government will be prepared promptly to submit further evidence of an extremely serious nature.

You may in your discretion remind the officials with whom you speak that preliminary guarantees of the wholehearted desire of the Argentine Government to cooperate fully in this matter may be furnished by the immediate internment of all German and Japanese officials accredited to Argentina, by the enforcement of such internment until they are actually repatriated, by the expeditious adoption of further measures for the internment of German and Japanese non-official residents, and by the immediate and rigorous control of any travel within the country on the part of all Germans and Japanese.

With regard to the cessation of all communications advantageous to the Axis, directly or indirectly, the Department feels most strongly that Transradio's [31] attempt to obtain a modified decree (Your 263, January 28, 8 p. m.) [32] should be nipped in the bud.[33]

HULL

[30] Laurence Duggan, Director, Office of American Republic Affairs.

[31] Transradio Internacional Argentina, a company controlled by a consortium composed of 15 percent American interest, 25 percent English, 25 percent French, 25 percent German, and 10 percent Italian.

[32] Not printed; the company sought permission to maintain radio contact with non-Axis territories (835.74/162).

[33] For correspondence on efforts to prevent communication between Argentina and the Axis countries through commercial wireless companies, see *Foreign Relations*, 1943, vol. v, pp. 512 ff.

800.20235/389 : Telegram

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

BUENOS AIRES, February 3, 1944—9 p. m.
[Received 11 p. m.]

325. Department's telegram 198, February 2, 11 p. m. I agree with the Department that it is of course possible that one of the reasons Foreign Office is asking for further information on espionage activities may be to ascertain how much we know or have been doing. On other hand it seems to me this is a risk inherent in present situation and fact remains that Foreign Office appears to be genuine in desire to present country with full and even sensational report on extensive nature of Axis espionage here. It is of course true that they have not acted as effectively as we would have wished on evidence submitted to previous government in our memoranda of November 1942 but as already reported the six confessed spies have been rearrested and I am assured by Gilbert will be sentenced shortly.

British Embassy is preparing memorandum submitting full information in their possession obtained outside of Argentina on cases of following Nazi agents: General Friedrich Wolf, German Military Attaché, Wilhelm von Seidlitz, Johannes Siegfried Becker, Hans Rodolfo Harnisch, Eugene Frank Langer, Lothar von Reichenbach, Juan Haarmeier, Gustav Utzinger, and Georg Bucker.

Also mentioned in connection therewith Martine Muller, Franz Hammen and Franz Schumann all three employed in German Embassy and Japanese Military Attaché Colonel Toshikazu Suzuki and Japanese Naval Attachés Admiral Katsumi Yukishita and Commander Tadasi Kameda. Also Pedro Ilvento and José Mella Alfageme (Reichenbach, Mella Alfageme and Utzinger were mentioned in Embassy's memos of November 1942.) British memorandum will I understand be supplementary to Hellmuth confession. British hope to secure permission of Argentine authorities to permit one of their men from Trinidad to work with the police as interrogator of persons detained as result of information submitted and to be submitted by them. They have suggested that Argentine authorities are perhaps more disposed to accept suggestions from them than from us. Their man if accepted would keep our Embassy fully informed and be prepared to act for us.

That the Foreign Office is itself awake to dangers arising from presence in government, particularly in important ministries of War, Justice, and Interior, of men of pronounced pro-Axis sentiments is shown by fact that both Gilbert and Ibarra García [34] have indicated clearly that information given by us will be dealt with by the Foreign

[34] Argentine Under Secretary for Foreign Affairs.

Office. They have also been able to secure certain changes in Police Department notably transfer of . . . which gives us greater confidence that any material given them will be used more effectively.

To sum up we are faced with situation which may not occur again for some time in that (1) Foreign Office is itself desirous of presenting all evidence they can get to convince the country that serious Axis espionage activities have been conducted here and that their decision to break was based upon this knowledge; (2) British Embassy is apparently prepared to take risk and furnish them with important and confidential information in their possession; and (3) if we refuse to give similar cooperation it may tend to discourage Foreign Office from future cooperation if and when we feel time has come to submit what we have.

Would Department consider our making reference to evidence brought out by the British memorandum pointing to continuation of espionage rings mentioned in my memoranda of November 1942 and possibly the Deglane and Fernández cases, at same time insisting that thorough reexamination be made of other persons mentioned in these memoranda and still at large. This would in no way disclose activities of any U. S. organizations. We could perhaps add that on the basis of action taken on this evidence our Government would be willing to submit the further evidence of a serious nature referred to in paragraph 2 of telegram under reference.

ARMOUR

800.20235/389 : Telegram

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

WASHINGTON, February 5, 1944—9 p. m.

218. From Berle.[36] Department has received a copy of British memorandum approved by British Foreign Office containing nine names and, except for [one] there is no objection to your taking the action suggested in the final paragraph of your 325, February 3d, 9 pm, to include information concerning the Deglane and Fernández cases. However, until ample evidence has been furnished that the Argentine Government is sincere in its efforts to destroy Axis influence, this Government is not disposed to make available whatever additional information it may have. The . . . case was developed exclusively by this Government and is one of the cases which definitely should not be made available to the Argentine Government at this time, even in the British memorandum.

In taking the action referred to, Department desires, unless you perceive specific objection thereto, that you at the same time take the action

[36] Adolf A. Berle, Jr., Assistant Secretary of State.

set forth in the last two paragraphs of Department's 198, February 2d, 11 p. m.

The Department has received information to the effect that the British authorities in Buenos Aires have also compiled a list containing the names of 305 [37] Axis agents. In the event this report is accurate you are specifically instructed to request the British Embassy to delete certain names which will be recommended by the Legal Attaché after he has had an opportunity to review the complete list which has been prepared for submission to the Argentine Government by the British.

The Department does not agree with the view expressed by your British colleague that certain suggestions might be more readily accepted if made by them.

With reference to the British offer to keep us fully informed and to act in our behalf if their man is accepted, you are instructed to lend your full support to the establishment of a liaison between the Legal Attaché's office and the proper Argentine Government office handling counter-espionage matters so that the pattern established in the other American republics will not be altered.

In the event the Embassy feels that it is not justified in taking the initiative in supplying the Argentine Government with supplemental information on Axis activities in Argentina, then any additional information which the Embassy may have concerning the individuals mentioned in the British memorandum and second paragraph of your telegram 325 of February 3 should be made available to the British for inclusion in or supplemental to the memorandum prepared by the British. It should be made clear to the Argentine Government that the presentation of the information is a joint American-British operation.

You are also authorized to include supplemental information regarding the clandestine radio stations as suggested in your 329, February 4, 4 pm.[38] As a matter of information the clandestine circuit in question was in operation as late as February 2 at which time the transmitter in Argentina sent three messages consisting of 196 groups during the 22 minutes it was on the air.

Legal Attaché Crosby will receive shortly a copy of memorandum prepared by Bureau containing 65 underlined names which is much more impressive than British list of 9 and may be presented to the Argentine Government along with other material. [Berle.]

HULL.

[37] A marginal notation reads: "This information was later corrected to read '20' names, not 305. . . ."

[38] Not printed.

800.20235/391 : Telegram

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

BUENOS AIRES, February 7, 1944—9 p. m.
[Received February 7—8 : 46 p. m.]

355. For Berle. Department's 218 February 5, 9 p. m. British Ambassador handed Foreign Minister his memorandum this morning letting me know by telephone a few minutes before he left for the Foreign Office. I checked with him and was assured that . . . name was not included in the memorandum. After meeting Kelly [39] informed me Gilbert did not agree to having a British official attached to the police for interrogation purposes. He was very definite on this point but assured Kelly that they would proceed vigorously against all persons named in memorandum and seemed anxious to be given anything further the British may have. I propose to hand the Foreign Office a memorandum in the sense of the last paragraph of my telegram 325 of February 3, 9 p. m., suggesting a thorough re-examination of the persons mentioned in my memoranda of November 1942 who are still at large, omitting for the time being reference to the Deglane and Fernández cases.

ARMOUR

701.6235/257 : Telegram

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

BUENOS AIRES, February 8, 1944.
[Received February 8—8 : 43 p. m.]

370. Government press bureau announces detention this afternoon of German Military Attaché Friedrich Wolf and Japanese Naval Attaché Rear Admiral Katsumi Yukishita as real leaders of Axis espionage in Argentina. Announcement states that Federal Police have gathered positive proof of Attachés' guilt as well as voluminous evidence of Axis espionage activities which will soon be made public. Yukishita's assistant mentioned as implicated but no further reference made to him. Wolf and Yukishita held incommunicado in their homes.

ARMOUR

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[39] Sir David Kelly, British Ambassador in Argentina.

800.20235/415

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

No. 13866 BUENOS AIRES, February 12, 1944.
[Received February 21.]

SIR: Supplementing my telegram No. 379 of February 9, 7 p. m.[40] I have the honor to enclose herewith copy of a memorandum dated February 9 [40] handed to the Under Secretary of Foreign Affairs in the absence of the Minister, requesting a reexamination of the cases of certain Axis spies.

It will be noted that the enclosed memorandum referred to the arrest on February 1 of the six Axis spies, Walter Freiwald, Ottomar Muller, Hans Napp, Elvezio Ortelli, Lotario de Reichenbach, and Martín Schneider, and requested the Foreign Office to investigate twenty-five others whose names were submitted to the Foreign Office in the Embassy's memoranda of November 1942.

In handing the memorandum to Dr. Ibarra García, his attention was invited to the fact that four of the names coincide with those on the list presented to the Minister of Foreign Affairs by the British Ambassador on February 7, a copy of which he had been good enough to furnish the Embassy. These four persons are: José Mella Alfageme, Lotario de Reichenbach, Jorge Enrique Richter, and Gustavo Utzinger. Dr. Ibarra García made note of these names.

For the reasons indicated below the Embassy decided not to resubmit to the Foreign Office the names of eight other spies whose names were mentioned in the memoranda of November 1942. In the case of Herman Bauer, Ludwig Buchwald, Juan Ris Linares, Florencio Campo, and Arturo Francisco Caldas, the information at present available was deemed insufficient. Walter Giese and Captain Niebuhr are now in Europe, and Domingo Sozzani is dead.

Respectfully yours, For the Ambassador:
HUGH MILLARD
First Secretary of Embassy

800.20235/405a : Telegram

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

WASHINGTON, February 14, 1944—9 p. m.

274. The Attorney General has informed the Department that it would be highly desirable if certain of the spies currently being apprehended by the Argentine authorities could be brought to the United

[40] Not printed.

States for further questioning and possible internment here. Please advise whether in your judgment the Argentine authorities would be disposed to be cooperative in this matter.

STETTINIUS

800.20235/406 : Telegram

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

BUENOS AIRES, February 15, 1944—8 p. m.
[Received February 16—1 : 25 a. m.]

445. Department's 274, February 14, 9 p. m. Am convinced Argentine authorities would not consent to removal of Axis spies to United States for questioning and/or internment.

ARMOUR

800.20235/409 : Telegram

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

BUENOS AIRES, February 19, 1944.
[Received February 20—1 : 19 a. m.]

499. Federal Police this afternoon released 9-page memorandum on German espionage activities in Argentina. Report states South America divided into two sections for espionage purposes: Eastern zone and western zone, former under direction Siegfried Becker and latter under Heinz Lange. Report is divided into three sections each dealing with separate espionage groups dominated [*denominated*] by police as Becker Group, Seidleitz Group and Harnisch Group. Police take full credit for discovery of groups and state that supplementary report on German espionage will be made in about 15 days, this to be followed at later date by revelation of similar Japanese activities. It is believed second release may deal with Spanish aspects of the situation. Present release appears to be good and is probably more sensational than cases of Napp, Freiwald, Schneider, et al. Some information not hitherto known included in this release and it is evident that arrested agents confessed to much of their activities. Report mentions clandestine radio transmitter formerly maintained by Becker at farm near Bella Vista, province of Buenos Aires, but that he secured its transfer before police could confiscate it. Transmitter hidden in secret cellar to chicken coop, which probably explains why provincial police failed to find it when they made raid many months ago and why it was transferred. Report also mentions that Transocean and Deutsches Nachrichten Buero also involved in obtaining information for German war effort and that at least two separate organizations in Germany receiving information from Argentina,

namely the Abwehr [42] and the Sicherheitsdienst. The memorandum contains about 20 names of German agents, including Argentines, Spaniards, an Austrian, a Chilean woman, an Italian and a white Russian, and devotes some space to the so-called Miramar case, stating that Wilhelm Otto Albert Seidlitz, Gustavo Eickenberg and German Military Attaché were principal agents involved in landing German agents on Argentine soil by submarine. Evening press with exception of *El Federal* which does not mention it carries memorandum verbatim with large front page headlines.

Presidential Press Bureau also issued statement explaining today's release from arrest of German Military Attaché and Japanese Naval Attachés Yammashita [*Yukishita?*] and Kameda. Pertinent part of statement as follows: "Taking into account the progress made in the investigations, and that for the present their freedom will not affect such investigations, considering the diplomatic status of the persons referred to, and that the activities which have been proved were committed prior to the breaking of relations, it has been decided to grant their freedom during the time it will take for arrangements to be made for their repatriation and for the obtention of safe conducts".

Complete report by next courier.

ARMOUR

800.20235/421

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

No. 13955 BUENOS AIRES, February 21, 1944.
[Received February 29.]

SIR: With reference to the Embassy's telegram no. 499 of February 19, I have the honor to enclose herewith a copy and translation of the report released by the Federal Police on February 19 [43] regarding German espionage activities in Argentina. It is interesting to note that this report confirms everything which successive Governments have denied as having taken place in Argentina. This includes the activities of espionage groups of Germany and Japan; the use of diplomatic pouches to forward espionage reports; the use of members of the crews of Spanish ships for the same purposes; the use of the Condor and Lati airlines to effect transfers of espionage agents as well as to forward reports and instructions; the use of large sums of money to employ espionage agents of many nationalities, chief among them being those of Spanish and Argentine citizenship; the use of "former" members of the Spanish Falange for purposes of espionage; the use of German and Argentine commercial houses to disguise espionage

[42] The German military intelligence.
[43] Not printed.

activities; the use of clandestine radio transmitters; the use of the German news agencies for purposes of espionage; the use of German Consulates in Spain for forwarding espionage reports; the landing of Axis agents in Argentine territory by German submarines; the use of Buenos Aires as the general headquarters for Axis espionage activities in the other American Republics and the use of Buenos Aires as the clearing house for espionage reports and instructions received from other points in this hemisphere and Europe for classification and re-distribution to their final destination, all with the participation of members of the staff of the German Embassy in Buenos Aires.

It will be seen that the enclosed report is divided into six sections as follows:

(A) The Becker Group.
(B) The Seidlitz Group.
(C) The Harnisch Group.
(D) Landing of Agents from German Submarines.
(E) Clandestine Radio Transmitters.
(F) Activity of the German News Agencies.

These sections are preceded by an introduction and a general discussion of these espionage activities. In the introduction the Federal Police makes two interesting admissions; (1) The Federal Police lacks experienced personnel, which fact seriously handicapped its investigations, and (2) The investigations were initiated only 20 days before the report was published, that is to say the investigations of German espionage activities began on January 31, 1944. As regards No. 1, this item may be of use should the United States Government offer to give the Argentines the assistance of an experienced interrogator. No. 2 is considered of interest in that it indicates the Argentine Government broke relations with Germany and Japan prior to the initiation of investigations of the espionage activities of which the two countries were accused, and therefore suggests that the real reason for the break was something other than the reason given out by the Government.

As regards the last section concerning clandestine transmitters, it should be mentioned that many months ago the Central Information Office of the Embassy uncovered several reports that a German radio transmitting station was in existence at the house in Bella Vista mentioned in the communiqué and two provincial policemen were prevailed upon to make a search of the premises. The search, however, failed to produce results. In addition the monitoring unit of the Federal Communications Commission carried out considerable activity in that vicinity without being able to locate the transmitter. All this causes the belief that it was removed from Bella Vista long before the breaking of relations, the statement of the Federal Police

notwithstanding. As regards the farm "El Chango" at Moreno, it should be mentioned that the FCC [44] monitoring unit also spent considerable time in that district as a result of requests from the Legal Attaché, without locating the station. It will be recalled that the results of the FCC investigations placed the German transmitter at one time near Chacabuco, several times near Buenos Aires, once near Rosario, and several times loop bearings indicated the transmitter to be constantly moving, probably on the Paraná and Uruguay rivers.

Regarding the statement of the Federal Police that the German agents obtained some of their information by spying in the Embassies of the United Nations, I shall take the first opportunity to request the Ministry of Foreign Affairs to furnish an explanation, especially as regards the American Embassy, including the identification of the persons who supplied the Germans with information and a description of their activities.

Respectfully yours, For the Ambassador:
HUGH MILLARD
First Secretary of Embassy

800.20235/7–644 : Telegram

The Chargé in Argentina (Reed) to the Secretary of State

BUENOS AIRES, July 6, 1944—6 p. m.
[Received 10:20 p. m.]

1739. Following comments submitted on points enumerated your 1079, July 3, 7 p. m.[45]

. . . . . .

(5) (*a*) All data on arrests of Axis spies available to Embassy have been fully reported. Only the six spies in Napp case have been "brought before the courts". Four of them were sentenced on June 21 (Embassy's 1583 June 21),[46] a year and a half after they were first denounced by the Embassy; (*b*) of the other persons whom Argentine authorities consider to be Axis spies, Embassy has official knowledge of those named in official communiqués only (see Embassy's despatch 13955, February 21, telegram 585, February 29, 8 p. m., and despatch 14520, April 18).[47] It is believed the Argentine memorandum referred to in telegram under reference affords opportunity to request of Argentine Government official lists of (*a*) person arrested for Axis espionage, (*b*) fugitives and (*c*) those still being held. This would provide something more substantial to go on in commenting on

[44] Federal Communications Commission.
[45] *Ante*, p. 279.
[46] Not printed.
[47] Telegram 585 and despatch 14520 not printed.

Argentine assertion that many such persons have [been] brought to book.

In the meanwhile, there is submitted herewith an approximate tabulation of espionage arrests, representing a considered evaluation of all information available through both official and confidential sources and prepared with assistance of Legal Attaché. It should be borne in mind that these lists include only such individuals as could properly be termed espionage agents or legitimate suspects. Diplomats and other Axis Embassy officials, Argentine nationalists and casual suspects rounded up for questioning have been omitted: (*a*) persons denounced by American and/or British Embassies: 60; persons so denounced, reported arrested: 24; persons so arrested, reported released: 9; still held: 15; (*b*) persons denounced by American and/or British Embassies, wanted by Argentine Government but still fugitive: 5; (*c*) persons not denounced by Embassies, reported arrested at instance of Argentine Government: 28; persons so arrested, reported released: 8; still held: 20; (*d*) totals: arrested for espionage: 52; released: 17; still held: 35; fugitives: 5. Among the 60 persons denounced are, of course, included the 25 individuals named in the Embassy's memorandum to the Ministry of Foreign Affairs of February 9 (see Embassy's despatch No. 13866, February 12). The remainder were denounced on various opportunities by the British. In this connection, it will be recalled that at time of submitting above mentioned list this Embassy and British Embassy made it known to Argentine authorities that it would be perfectly acceptable for Argentina to take credit for arrests if it wished, and that American and British Governments did not intend to make their memoranda or information which they contained public.

Since cessation of official relations subsequent to first wave of arrests, Argentine Government has been proceeding largely on its own initiative, and it is evident that few new developments have occurred. Any information obtained by Embassy has been acquired with difficulty by confidential means, for which reason it is not possible to appraise effectiveness of Argentine Government's action. Nevertheless, although German spy ring is by no means broken, as clearly shown by certain indications known to Department, the Legal and Military Attachés and British feel that German espionage in Argentina has suffered a decided setback.

Suspension of *La Fronda* fully reported by despatches 15113, June 16 and 15141, June 20.[48]

6. Argentine Government officials have on several occasions declared discrimination against or ill treatment of Jews not permitted, however Jews continue to feel uneasy in view of general orientation of

[48] Neither printed.

present regime. Authorities appear to have done nothing to restrain anti-Semitic propaganda in *Clariquada Cabildo* and other periodicals. As far as can be ascertained those responsible for acts in Entre Rios have not been punished.

REED

862.20210/9–2244

The Chargé in Argentina (Reed) to the Secretary of State

[Extract]

No. 16155 BUENOS AIRES, September 22, 1944.
[Received October 2.]

SIR: I have the honor to refer to the Embassy's despatch no. 16069 of September 14, 1944,[49] and to transmit herewith further information received from the Office of the Military Attaché regarding the arrest and detention of Axis espionage agents. This information comes from a "well-informed, definitely reliable police contact".

The first of two reports, dated September 19, reads as follows:

"1) Nazi agents are still being watched, but not being picked up. They have been warned that they are under surveillance, but have been told not to let that bother them.

"2) Police have been told to go easy on Nazis arrested in radio espionage case.

"3) Walter Junkers has been released. Police say they have nothing on him.

"4) Ortiz de la Calle and his wife were used by Utzinger as covers in renting places from which to operate.

"5) A concerted drive on American agents will start immediately. No names or specific orders have been given as yet, but police have orders to stand by prepared to get busy. Allied agents not mentioned. American agents were specified."

. . . . . .

EDWARD L. REED

CONCERN OF THE UNITED STATES WITH SEVERANCE OF COMMUNICATIONS BETWEEN ARGENTINA AND THE AXIS AND WITH THE DOMINATION OF COMMUNICATION FACILITIES AND THE PRESS SOUGHT BY THE ARGENTINE GOVERNMENT

740.35112A/559 : Telegram

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

BUENOS AIRES, January 4, 1944—6 p. m.
[Received 6:40 p. m.]

17. Reference Embassy telegram No. 2850 of December 8, 5 p. m.[49]

[49] Not printed.

Following fruitless efforts to secure funds for future operations from Banco di Napoli, Italcable [51] closed its doors to the public on December 31. Its Argentine employees, numbering some 20, are being given employment by the post office, the state merchant fleet, "Transradio",[52] and Unión Telefónica; this is being done at suggestion of Department of Labor.

"All America" [53] and "Western Cables" [54] were also requested to employ some of these persons, but as yet have not complied.

Repeated to Montevideo.

ARMOUR

835.918/116 : Telegram

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

BUENOS AIRES, January 6, 1944—6 p. m.
[Received 8 : 12 p. m.]

43. Decree regulating control of press by Subsecretariat of Information and Press summarized in my number 42, 6th [55] confirms indications during last few months that Government was moving steadily in direction of complete suppression of freedom of press and utilization of all media of information and publicity for its own propaganda ends. Reference despatch No. 12853, November 19.[55]

Although present regulations affect most severely the domestic press, they also add further restrictions and complications in operations of foreign news agencies. A projected statute governing employment of all personnel of newspapers, periodicals and news agencies which it is understood is now being prepared on basis of personnel registration provided for in present decree may have particularly serious consequences. As reported in Embassy's airgram A–1315, November 30 [55] agitation for such statute including creation of newspapermen's syndicate has been led by pro-Nazi elements and is strongly advocated by *Cabildo* and *El Pampero*. It is understood that Colonel Perón [56] is behind this move whereas centralization of press control in Subsecretariat of the Presidency has been sponsored by Colonel Gonzáles,[57] Chief of the President's Secretariat.

The specific provision for control of newspaper advertising by Subsecretariat of Information and Press is viewed with particular concern by press circles, since it may involve attempt to control distribution

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[51] Italian-controlled communications system.
[52] Transradio Internacional Argentina.
[53] All America Cables and Radio Inc.
[54] Presumably Western Telegraph Company, which handled cable traffic from Buenos Aires to Europe.
[55] Not printed.
[56] Col. Juan D. Perón, Director, National Department of Labor.
[57] Col. Enrique P. González.

of advertising among individual newspapers and in any event will expose papers to most pernicious form of official interference. If carried to extreme, it could involve redistribution of advertising for benefit of such pro-Nazi papers as *Cabildo* and *El Pampero*. Language of preamble to present decree indicates one of objectives is to prevent private commercial interests from influencing papers through their advertising.

Taken in conjunction with decrees abolishing political parties and instituting compulsory religious education, which significantly were also approved on same day December 31, these measures are clearly intended to give Government complete control of all means of public expression and to suppress propagation of any ideas contrary to existing authoritarian concepts and policies.

I understand that newspaper representatives are discussing course to be followed in view of these developments. *La Prensa* and *La Nación* today each published only one editorial, dedicated to restatement of their determination to follow policies laid down by their founders of presenting the news and expressing their views on basis of truth, honesty and disinterested service of the national interest. *La Nación* editorial was signed by Luis Mitre as editor and *La Prensa* editorial is signed "Civis"; normally editorials are anonymous.

ARMOUR

740.35112A/559 : Telegram

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

WASHINGTON, January 10, 1944—1 p. m.

45. Department would appreciate being advised whether the fact that Italcable closed its doors to the public on December 31 as reported in your No. 17 of January 4 means that the Italian cables which were still being operated by Italcable will no longer be used. Please telegraph as full information as possible.

HULL

835.918/121 : Telegram

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

BUENOS AIRES, January 15, 1944—1 p. m.
[Received 2 : 13 p. m.]

125. Chief of Presidential Secretariat gave extraordinary interview yesterday to press correspondents seeking to justify and explain recent decree establishing control of press. Declarations abound in sophistries and blandishments toward press representatives in effort to win their good-will. With attempted irony speaker referred to natural satisfaction felt that such a prominent statesman as Secre-

tary Hull should have manifested his intention to study carefully this decree despite his preoccupation with difficult war and internal problems. He then refers to similar measures taken by Brazil "a democratic country where the press is performing a task that we aspire to imitate".

This interview is interpreted as another move by Presidential Secretariat to keep press matters in its own hands. It is understood that discussions are still proceeding in governmental circles and that press employees statute sponsored by Colonel Perón and intended to give him control of press through this indirect means may be issued soon.

ARMOUR

835.00/2297 : Telegram

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

WASHINGTON, January 28, 1944—9 p. m.

171. The Department considers it extremely urgent, reference Section 7 of your telegram no. 236, January 27, 8 p. m.,[60] that the Argentine Government take prompt and effective measures to sever all communications with Germany and Japan.[61]

HULL

835.74/165 : Telegram

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

BUENOS AIRES, January 31, 1944—8 p. m.
[Received 8:20 p. m.]

284. As reported in Embassy's telegram 267 of January 29, 12 a. m.,[62] Transradio has informed the Mission that upon the Argentine Government's instructions its direct radio circuits with Axis territory were severed at approximately 12 noon January 29. Radiar [63] which had no direct circuits but which was able to transmit messages through Spain to Axis territory reports that in accordance with instructions its services were discontinued at about 4 p. m., January 29. This is in connection with telegram 369, January 31, 12 a. m. from Rio.[64]

Repeated to Rio.

ARMOUR

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[60] *Ante*, p. 242.

[61] The severance of radiotelephonic and radiotelegraphic communication between Argentina, Germany, Japan, and the areas occupied by them was provided for in Decree No. 1874, M–15 of January 27, 1944.

[62] Not printed.

[63] Sociedad Anónima Radio Argentina, which appears to have been owned by All America Cables.

[64] Not printed; it reported that radio communication between Argentina and the Axis was still in effect (862.20210/2722).

835.741/67 : Telegram

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

BUENOS AIRES, February 6, 1944—11 a. m.
[Received 12 : 20 p. m.]

348. Posts and Telegraphs [65] announced last night severance of communications as of midnight February 5 with those countries with which Argentina has broken diplomatic relations; telecommunications companies have been instructed accordingly. This action apparently is designed to make clear that January 28 decree includes satellite countries with which relations were broken on February 4. Actually all companies except Western Cables have interpreted Previll's decree literally as applying to all territory "controlled by Axis". Western reports that it has had no traffic with Axis satellites for some time but that in the absence of specific written instructions from Argentine Government it has been prepared to accept any messages filed. It "assumes" that the censor would have stopped messages destined to satellite countries during past week had there been any. Perhaps fortunately there have been none although Western's messages are transmitted via London and presumably are subject to censorship there.

Posts and Telegraphs also announced yesterday that there are no facilities for the forwarding of mail to Japan, Italy and Germany or to territories under their control. Although schedules of departure are uncertain mail can be sent to England, Cyprus, Spain, Gibraltar, Ireland, Iceland, Faroe Islands, Malta, Portugal, Russia, Switzerland, Turkey, Sweden, Africa, those parts of Asia and Oceania not occupied by Japan and the Americas.

ARMOUR

835.731/35 : Telegram

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

BUENOS AIRES, March 1, 1944—7 a. m.
[Received 9 : 18 a. m.]

595. High official of All America Cables was peremptorily ordered by military authorities this morning to go at once to cable office and deliver to them all cables from this Embassy. Further details will be reported shortly.

Repeated to Montevideo, Rio, Santiago and Lima.

ARMOUR

[65] A department of the Argentine Government.

835.731/36 : Telegram

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

BUENOS AIRES, March 1, 1944—10 a. m.
[Received 10:25 a. m.]

598. All America has not given any Embassy telegrams to Government as our 595 of March 1, 7 a. m. reported had been requested. Government interventor, on instructions from Post Office, asked All America clerk for copies of Embassy's outgoing messages to which clerk answered, after consulting his traffic manager, that final reply would be given later. Since that time nothing further has happened. All America manager states that he will not consent to delivery of any Embassy's messages, all of which are kept in safe for which only he and traffic manager know combination. He will advise Embassy immediately of any developments but expects none to occur.

ARMOUR

835.731/36 : Telegram

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

WASHINGTON, March 1, 1944—7 p. m.

363. Reference your no. 598, March 1. If you deem it necessary you may inform the All America Cables Company that you have been authorized by the Department to request that all copies of Embassy's cables be returned to the Embassy to insure adequate protection and security.

STETTINIUS

835.731/37 : Telegram

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

BUENOS AIRES, March 3, 1944—1 p. m.
[Received 2:38 p. m.]

629. Argentine law requires that telegraph companies keep in their files copies of all messages for period of two years after which they are destroyed. Local manager of All America states he would be willing to disregard law if so instructed by head office; he does not feel he can assume risk on own responsibility.

Although manager states Government messages of neighboring countries have long been periodically removed from company's files for examination by Government authorities, he keeps all of this Embassy's messages in personal safe and seems satisfied he can fend off

any possible efforts to secure them. However, events of March 1,[66] plus visit last night to All America by army officer interested in company's operations (especially traffic with Montevideo) lead Embassy to consider definitely desirable action suggested in Department's 363 of March 1, 7 p. m. It is recommended that New York office of All America be encouraged to forward appropriate instructions to manager here.

ARMOUR

811.91235/64 : Telegram

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

BUENOS AIRES, March 7, 1944—6 p. m.
[Received 6: 20 p. m.]

665. Local offices of Associated Press and Argentine subsidiary by order of Director General of Posts and Telegraphs last night were prohibited for indefinite period from receiving and sending news by radio, allegedly for technical infractions of regulations under which receiving licenses were issued. Also prohibited from serving clients in provinces and from using ticker between here and Montevideo. Pending efforts to have order rescinded, AP is using cable for receiving and transmitting news abroad. AP believes reasons behind order are same as in case of closure of United Press previously reported.

UP was less seriously affected in that only their Montevideo circuit was cut. Curran[67] informs me that authorities have just promised to remove restrictions and he hopes full service will be resumed tomorrow.

Inform Washington offices of AP and UP.

ARMOUR

811.91235/66a : Telegram

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

WASHINGTON, March 17, 1944—11 p. m.

442. UP reports that Argentine Government has placed ban on all incoming or outgoing messages and has instructed telephone and radio companies not to accept UP messages. Please investigate and report by urgent telegram.

HULL

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[66] President Ramírez turned over the office of President to the Vice President, Gen. Edelmiro Farrell. For correspondence on this change, see pp. 252 ff.

[67] Thomas Curran, General Manager of the United Press for South America.

835.731/39 : Telegram

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

BUENOS AIRES, March 24, 1944.
[Received March 24—4:49 p. m.]

815. Argentine Government has ordered All America Cables to suspend all operations from midnight tonight until midnight Saturday. They are also fined 1,000 pesos. These penalties are for alleged violation of present regulations on censorship of cables. On the night of March 8 three cables from Lima, Peru were through error inadvertently forwarded by local office of All America to the interventor of United Press, the addressee, without having received approval of interventor of All America Cables. None actually reached United Press. There is no other charge.

In view of the above order I shall be unable to communicate with Department during 24 hours beginning midnight tonight and presumably will be unable to receive any communications from Department during that time nor to or from other Missions in American Republics.

ARMOUR

835.731/46

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

No. 14326 BUENOS AIRES, March 31, 1944.
[Received April 10.]

SIR: I have the honor to refer to the Embassy's No. 846 of March 27, 9 p. m.,[71] as well as to previous communications with reference to the recent suspension of All America Cables, and to forward for the Department's files copies and translations of the resolution [71] providing for the suspension as well as of the cables which motivated the action.

According to the local manager of All America Cables, on March 10, 1944 he received a letter from the Director of Posts and Telegraphs, Major Estéban Oscar Piciochi, advising him of the unauthorized delivery to United Press on March 8 of three cables from Lima (the three cables were all part of one newspaper dispatch). On March 14 Mr. Buchanan, the All America manager, replied to Major Piciochi explaining that the delivery of the cables in question was an inadvertent error on the part of an All America employee and stating his regret that it had happened. This was the last Mr. Buchanan heard of the affair until the morning of March 24 when, upon his arrival at the office, he found the official notice of the 24-hour suspension and

[71] Not printed.

the 1,000 Argentine peso fine mentioned in the Embassy's telegram No. 815.[72]

Mr. Buchanan immediately arranged an interview with Major Piciochi, who advised him that the decision had been made by someone much "higher up", that he had done everything possible to avoid signing the order, that he was very sorry it had happened but that there was nothing he could do. Mr. Buchanan then called on Lt. Col. Juan A. Lagos, the Director General of Posts and Telegraphs, who advised him that he knew nothing about the matter but that Mr. Buchanan might like to talk to Major Horacio A. Sirito (Major Sirito's position in the Postoffice appears to be that of a more or less ex officio inspector). In accordance with this suggestion, an interview with Major Sirito was arranged for Saturday morning. According to Mr. Buchanan, Major Sirito's attitude was extremely belligerent and unpleasant, but he finally agreed to consider at least the postponement of the sanction. An hour or so after Mr. Buchanan had left Major Sirito's office, Major Sirito called by telephone to advise him that the suspension would continue.

Mr. Buchanan and other officials of All America Cables and its parent company, International Telephone and Telegraph, are of the opinion that the Postoffice authorities have chosen this method of attack, not because they feel that the infraction of the censorship regulations was a serious one, but merely because (1) they are anxious to embarrass an American company in whatever way possible, and (2) because they hoped that this Embassy would be drawn into the matter to the extent of making an official protest and, in that manner, recognizing the Argentine Government. In support of his feeling that the charge against All America is a trumped up one, Mr. Buchanan points out that although in the resolution, which itself is dated March 23, reference is made to a warning which had supposedly been given All America on March 17 (and which Mr. Buchanan says was not received), the violation actually occurred on March 8. In other words, it would appear from the resolution that the violation which was the cause for the suspension occurred after All America had been warned, whereas, actually, it occurred more than a week before this alleged warning. Further evidence of the unfriendly and high-handed nature of the action is the reference in the preamble of the resolution to Resolution XL of the Rio Conference,[73] a reference which is patently inappropriate and could be designed only to "rub salt in the wound". Also, the fact that the newspaper dispatch in question

[72] *Supra.*

[73] Resolution XL dealt with communications; for text, see Department of State *Bulletin*, February 7, 1942, p. 140; for correspondence on the Third Meeting of the Ministers of Foreign Affairs of the American Republics held at Rio de Janeiro, January 15–28, 1942, see *Foreign Relations*, 1942, vol. v, pp. 6 ff.

merely reported an editorial which had already appeared in a Lima newspaper (and which, in itself, is fairly innocuous) would have seemed to offer better cause for a protest to the Peruvian Government than for action against the cable company which received the message. As a matter of fact, the Peruvian Ambassador in Buenos Aires has shown considerable interest in the matter and has secured copies of the cables from this Embassy, presumably for transmission to his Foreign Office.

In connection with the conviction of All America and I. T. T. officials that this present event is merely part of a concerted campaign, it may be significant that at least four actions which might be termed "unfriendly" to United States interests during the past few weeks have been taken by the Ministry of Interior, which is headed by—as the Department is aware—General Luis C. Perlinger (the Department will recall from various communications the status of General Perlinger with reference to Argentine-United States relations). The four actions which I have in mind are: (1) the suspension of Associated Press and United Press radiocommunications with Uruguay; (2) the indefinite suspension of all activities of United Press in Argentina; (3) the 24-hour suspension of All America Cables, and (4) the 1,000 Argentine peso fine of Pan American Grace Airways for receipt and transmission of "private" radiocommunications. This latter action is being reported in a separate despatch. However, I am not inclined to agree with the All America and I. T. T. officials that these activities on the part of General Perlinger and the Ministry of the Interior are designed to provoke representations by the Embassy and consequent recognition. Rather, in view of the dissension between General Perlinger and Colonel Perón, I would be more inclined to believe that they represent an effort on the part of General Perlinger to widen the breach between Argentina and the United States and to enforce the conviction that any *rapprochement* with the United States is impossible.

. . . . . .

Respectfully yours, NORMAN ARMOUR

835.918/145 : Telegram

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

BUENOS AIRES, April 4, 1944.
[Received April 4—7 : 20 p. m.]

904. Decree signed by Farrell and Perlinger published last night grants concession to ANDI,[74] Argentine News Agency, whereby all radio stations must accept and broadcast news supplied by that agency

[74] Agencia Noticiosa Argentina.

under penalty of having their licenses revoked. Radio stations must pay ANDI between 5 and 10 percent of their gross income for news service. Stations may subscribe to other news services but the cost cannot be deducted from above percentages paid ANDI. ANDI is obliged to pay Post Office up to 200,000 pesos for radio equipment which Post Office will purchase for broadcasting ANDI service, equipment to remain property of Post Office. ANDI agrees to appoint within 5 years correspondents of Argentine nationality in every country of world to distribute Argentine news. Fulfillment of decree is under direct supervision of Subsecretariat of Information and Press. It becomes effective April 15.

Preamble states that investigation of news agencies undertaken by Post Office has revealed existence of Argentine agencies which, although established under its regulations, do not satisfy requirements of Argentine nationality and international independence. It is the function of the state to dictate forms for assuring that news shall report in truthful and objective form national and international events free from influences of private interests and especially those opposed to national sovereignty.

Decree states ANDI is only Argentine agency which has correspondents resident abroad and basic organization which would permit it within reasonable time to satisfy the maximum necessities of the nation for transmission of Argentine news.

ARMOUR

811.91235/105

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

No. 14452 BUENOS AIRES, April 11, 1944.
[Received April 21.]

SIR: Supplementing my telegram No. 912 of April 5, 10 a. m. and with reference to my despatches No. 14170 of March 14, 1944, and No. 14222 of March 21, 1944,[75] I have the honor to report that the Argentine authorities at midnight April 4 permitted the United Press and Prensa Unida to reopen after an 18-day suspension. Enclosed is the text of a letter which Mr. Thomas Curran, General Manager of UP for South America, was forced to sign as requisite to reopening, together with the text of a resolution on the subject by the Ministry of Interior, as published in *La Prensa* of April 5.[76]

Knowing that the Chilean Ambassador, Dr. Conrado Rios Gallardo, had instructions from his Government to take up the question of the

[75] None printed. Despatch 14170, March 14, indicated the suspension by the Argentine Post Office authorities of certain AP and UP services (811.91235/70). Telegram 912, April 5, 10 a. m., reported the lifting of the suspension (811.91235/94).

[76] Neither reprinted.

UP with the Argentine authorities, and that he had an appointment with President Farrell on the morning of April 4, I reviewed the whole UP situation with him the day before his interview. I saw him immediately after his appointment and he told me that the President had assured him that the UP matter would be settled "soon". Later the same day the Ambassador saw the Acting Minister of Foreign Affairs [77] who gave him the same assurance. That evening Mr. Curran was called to the Sub-Secretariat where the matter was finally settled. The forceful representations of Conrado Rios were undoubtedly responsible for the prompt conclusion of the negotiations.

The Department, by means of the various telegrams transmitted for UP through the Embassy, has been informed of the progress of the negotiations leading up to the signature of the letter. Mr. Curran told me that UP was not responsible for all of the "false" stories which are mentioned in his letter. Some of the "wildest" of them, he said, were published in Montevideo newspapers under the dateline "Colonia, Especial", and were transmitted by other agencies. It was a difficult decision to take, but rather than hold out longer against the pressure of the Sub-Secretariat of Press and Information, he agreed to the letter as drawn up by the authorities. This seemed to him to be preferable to prolonged negotiations and further delays in reopening the bureau. During the suspension UP had been able to supply only two of their 20 clients, namely *La Prensa* and *La Razón*. These were handled through the roundabout channel of Press Wireless to Montevideo and from there by cable to Buenos Aires. The remainder of their clients were being served by AP and Reuter[s] under temporary agreements. Latterly, however, both of these competitors began to press the clients for definite, long-term contracts. Although all of their clients have now returned to them, UP does not know whether any of them signed other contracts.

Mr. Curran does not regard the reference in the statement of the Ministry of Interior to the effect that the revocation of the suspension is "temporary, pending the decision of the courts", as implying any serious consequences for UP. The Chief of the Sub-Secretariat, Major Poggi, assured Mr. Curran he would endeavor to have the charges against UP withdrawn from the Ministry of Justice.

The Department will have noted in the various telegrams exchanged between the local UP and its New York headquarters, that officials of the Department of Posts and Telegraphs and of the Sub-Secretariat of Press and Information (both under jurisdiction of General Perlinger) attempted a number of times to draw the Embassy into the negotiations. On each occasion the UP officials categorically stated that they were a private organization and that the Embassy would not intervene. The last time this matter was raised was on

[77] Gen. Diego I. Mason.

the night of the final negotiation when Major Poggi told Mr. Curran that General Perlinger considered UP to be an "Agencia Oficiosa" of the American Government and that he had information to the effect that "President Roosevelt was relying on UP to help him win re-election for the fourth term". If General Perlinger really believed that UP had such an official character, it demonstrates clearly how willing he was to strike at us, and the extremes to which he would go to involve the Embassy.

Many persons not familiar with the facts, especially in the American and British Communities, were inclined to criticize UP for giving way to pressure of the authorities and signing a letter which admits guilt for offenses they had not committed. Naturally, the Nationalist and Nazi newspapers made the very most of the letter "as proof of assertions they have been making for years". Perhaps the harshest criticism came from the English-language newspaper, *The Standard* (AP and Reuter[s] subscriber), as will be noted in the enclosed editorial.[78] More than willing to believe the worst of UP, it stated, "Faith in the integrity of the Press and in the accuracy of its news has been dealt some severe blows since Upton Sinclair and George Seldes first set out to destroy public confidence in the honesty of the printed word; but neither of those authors ever conceived an external attack to compare with the essay in self-destruction that was the public confession issued by the United Press through yesterday morning's newspapers."

Dr. Gainza Paz, co-Director of *La Prensa* and UP's principal client in Argentina, does not consider that UP has lost anything by accepting the terms forced upon UP by the Sub-Secretariat "practically at the point of a gun". He congratulated Mr. Curran on the successful conclusion of the negotiations. I wish to add that I think Mr. Curran conducted himself exceedingly well throughout these trying negotiations.

While the affair appears to have had a fortunate ending, it has not been without serious financial loss to UP. This fact may have a salutary effect on the entire UP organization as well as on other American correspondents responsible for the erroneous reports which brought on a whole series of reprisals affecting both of the American press associations. (It will be recalled that both AP and UP were partially closed some weeks ago for having sent out reports which later proved erroneous.)

The American press associations and other correspondents have operated here in recent years under extremely difficult working conditions. These are likely to prevail so long as the present régime lasts. While I sympathize with their problems, I believe that they have sometimes invited trouble by sending out highly colored reports based

[78] Not reprinted.

solely on rumor. Naturally they are handicapped by the severe censorship and the inability to check their stories in responsible quarters. I have always tried to help them whenever I could, but even for the Embassy this is extremely difficult. In view of the responsibility which American correspondents owe to the public to report accurately, and owing to the fact that I am now powerless to help them if they get into difficulties over their stories, I have felt it desirable to warn them to be more cautious in the future. The Department may wish also to caution their American headquarters.

Respectfully yours, NORMAN ARMOUR

835.918/155 : Telegram

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

BUENOS AIRES, April 26, 1944—11 a. m.
[Received 12 : 03 p. m.]

1057. Decree signed by Farrell and Perlinger last night suspended publication of *La Prensa* for 5 days. This is first time the newspaper has been closed by Government action in 75 years of existence. The pretext for closing was an editorial published yesterday attacking some activities of Municipal Public Health Administration. However, article which precipitated the closing was one published April 23, which severely criticized the position taken by the authorities in connection with the regulations on religious teaching in schools, that only Catholic Argentines are true Argentine citizens. A contributing factor may have been a second editorial attacking expropriation of foreign owned utilities. Police have taken possession of *La Prensa* building and employees prohibited access. Skeleton staff remains in building. Telephones cut off. The decree states that the newspaper can reopen after 5 days provided that it publishes a statement by Public Health Administration refuting the newspaper's charges.

Although story of closing is widely published here, press associations have been prohibited from sending it abroad.

La Vanguardia also was indefinitely suspended April 24 after having been warned various times for attacks on Government.

ARMOUR

835.731/49 : Telegram

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

BUENOS AIRES, May 20, 1944—8 p. m.
[Received 9 : 30 p. m.]

1281. All America Cables received Thursday telegram from José Mancisidor, President of Federation of Organizations for Aid of Eu-

ropean Refugees, Mexico, addressed to President Farrell protesting "sinister proposal" of Argentine Government to deport one Tomás Cuesta to Spain. Company supervisor authorized delivery of message without intervention of government censor but as afterthought showed it to him later. Second telegram on same subject signed by 17 Mexican Leftist intellectuals and labor leaders and former officials of Spanish Republic including Mancisidor was approved by censor and delivered to President. Language of second telegram perhaps somewhat more restrained but arrest and threatened deportation of Cuesta were described as "affront against ideas of liberty and democracy rooted in this continent."

On Friday All America received letter from Correos [79] with reference to first telegram accusing company of violating article of Argentine telegraph law which prohibits transmission and delivery of messages "contrary to good ethics or dangerous to security of state" and requesting explanation. Following receipt of letter, hourly telephone calls were received during afternoon and evening demanding immediate reply. All America disturbed by attitude of Correos took extreme care in drafting reply and completed it for delivery at 4 o'clock this afternoon.

It has now been learned from friendly official in Correos that decision has already been taken (without giving consideration to All America's letter which still has not reached responsible Correos officials) and that company will be closed for period of 24 hours on Tuesday or Wednesday of coming week; in addition thousand peso fine will be assessed. Although something may occur to change decision, there seems to be no question as to present intention of Government; Sirito is handling matter again as in previous closure and official mentioned above is of opinion that he is acting on orders of Perlinger.

ARMOUR

835.731/51 : Telegram

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

BUENOS AIRES, May 23, 1944—10 a. m.
[Received 11 : 20 a. m.]

1301. Embassy's 1299 of May 22, midnight.[80] Following informal notification of suspension of All America's closure Post Office resolution issued early this morning modifies previous resolution reported in Embassy's 1296, of May 22 [80] to provide for strict warning to the company but no other action. It is understood that issuance

[79] The office of Posts and Telegraphs.
[80] Not printed.

of second resolution followed bitter quarrel within Ministry of Interior and belated realization that international complications, especially as regards Mexico, might result.

ARMOUR

835.731/57

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

No. 15031 BUENOS AIRES, June 10, 1944.
[Received June 19.]

SIR: I have the honor to refer to previous communications with reference to the difficulties being encountered by All America Cables in its relations with the Argentine Government (particularly the Embassy's despatch no. 14,845 of May 23, 1944,[82] reporting the details of the company's most recent experience of this kind), and to report as of interest to the Department the essence of a conversation with the manager of All America in which he explained the company's present position with regard to the censorship problem.

Following the episode described in the despatch cited above, Mr. Buchanan says that he called on Major Horacio Sirito (who, it will be recalled, is the special "investigating" officer in the Post Office who has been responsible for the recent unpleasant developments) in an effort to reach a more satisfactory understanding with reference to the censorship of incoming and outgoing messages and All America's responsibility for the delivery or transmission of such messages. It was pointed out to Major Sirito that the "interventors" at present assigned to the company were incapable of properly exercising a complete censorship, both because of their inability to read such foreign languages as English and also because of the volume of messages handled. As a consequence, All America has been forced to accept the responsibility for the messages which it handles, even though theoretically the Government is censoring all messages and holding any which are considered undesirable.

Mr. Buchanan suggested to Major Sirito that the Post Office employ (at All America's expense) two additional censors who are able to read both Spanish and English and that these censors be authorized to accept full responsibility for any messages which they approve. According to Buchanan, Major Sirito seemed to accept the suggestion with sympathy. A few days later, however, the company was advised informally that its suggestion had been disapproved, that the interventors now assigned to the company would continue their activities as at present, and that they should be considered "advisers" only. In other words, even if an interventor approves a message the company is

[82] Not printed.

relieved of no responsibility with regard to its subject matter and its transmission or delivery.

Rather understandably, Mr. Buchanan finds the situation in which he and his company are placed extremely uncomfortable; he has no explicit instructions with reference to the kind of messages the Government considers undesirable, he can consider the Government censors nothing more than "advisers," and yet he and the company must accept full responsibility in the event the Government at any time decides a specific message should not have been transmitted or delivered. Under these circumstances, he is of the opinion that sooner or later All America will be subjected to further sanctions which may be much more serious than any it has yet experienced.

Respectfully yours, NORMAN ARMOUR

835.76/8–1144 : Airgram

The Chargé in Argentina (Reed) to the Secretary of State

BUENOS AIRES, August 11—10 a. m.
[Received August 21—8 a. m.]

A–649. The Argentine Government has requested Transradio Internacional to rent Radio del Estado two of the company's best transmitters for 4 hours a day, for the purpose of short waving government sponsored programs; as Embassy understands project, programs would be broadcast on two beams, one directed toward San Francisco and one toward New York. The plan also is reportedly to broadcast programs in Spanish, English and Portuguese, as the Foreign Minister's speech was handled on July 26. Evidently the government feels that broadcast of this speech was so successful as to justify daily programs designed to help all the peoples of the Americas better to understand Argentina.

Transradio officials prefer not to rent transmitters for this purpose and intend to refuse if this can be done without antagonizing government. Presumably, if Transradio refuses to rent transmitters government will go elsewhere, and in this connection, I. T. & T. is being given advance warning by Embassy.

REED

835.76/8–1144 : Airgram

The Secretary of State to the Chargé in Argentina (Reed)

WASHINGTON, September 12, 1944—9 : 35 a. m.

A–849. The Department has noted with interest the apparent intentions of Argentine regime indicated in your airgram A–649, August 11, 10 a. m., to strengthen its radio propaganda directed to the

other American republics through the use of transmitters belonging to Transradio Internacional. It is observed that Transradio officials intend to refuse request for use of these transmitters "if this can be done without antagonizing government".

It is assumed that Transradio representatives brought this situation to Embassy's attention not only for its information but with a view to eliciting some indication of our attitude in the premises. The Department recognizes that Transradio's refusal to rent these transmitters is more than likely to "antagonize" the Argentine authorities. It cannot, however, for this reason be placed in the position of approving anything resembling voluntary cooperation with the present regime, in an undertaking obviously intended to confuse the Argentine issue in the minds of people throughout America and thereby to undermine the unity of purpose of the other American republics. It is appreciated that the Argentine authorities can requisition these facilities if they see fit to do so, but it would not seem likely that they would carry the matter to such an extreme, particularly in view of the recent apparent relaxation of confiscatory proceedings against foreign holdings in Argentina. In any event, however, we are not prepared to approve dealings of this kind with the present Argentine regime.

You are requested to bring the foregoing to the attention of the proper American representatives on Transradio Internacional. It is noted that you have already given advance warning to IT&T against the possibility that the Argentine authorities may go elsewhere if Transradio refuses to rent its transmitters.

HULL

740.35112A/6–3044

The Secretary of State to the Chargé in Argentina (Reed)

No. 6351 WASHINGTON, December 16, 1944.

The Secretary of State refers to the Embassy's despatches no. 14974 of June 6, 1944 and no. 15244 of June 30, 1944,[84] concerning the ownership, control, and activities of Transradio Internacional, Cía. Argentina de Telecomunicaciones, and encloses herewith a copy of a memorandum [85] containing the significant information in the Department's files with regard to this company.

It will be noted from the enclosed memorandum that according to the Consortium Agreements (page 112), copies of which were furnished the Embassy with instruction no. 5751 of May 9, 1944,[85] the trust constituted by the Agreements was to terminate on February 26,

[84] Neither printed.
[85] Not printed.

1945, at which time the trustees were to distribute the property equally among the four contracting parties.

The Department is presently giving consideration to the advisability of discussing with the appropriate officials of the United States member of the Consortium,[86] the Radio Corporation of America, the action which is contemplated in February 1945 in the event that the original agreement was not subsequently extended by the contracting parties. These discussions might also refer to the arrangements with the general manager, the assistant manager and the traffic manager of Transradio whereby these persons have received substantial bonuses based directly on the company's gross income. Before doing so, however, the Department would appreciate receiving the Embassy's comments on the advisability of the proposed action and any additional information concerning the activities of this company which has been received by the Embassy subsequent to June 30, 1944. The Embassy's suggestions as to any other questions which it may be considered desirable to discuss with the Radio Corporation of America, such as continued banking transactions by Transradio with Proclaimed List banks, would also be appreciated.[87]

TRADE AND SHIPPING PROBLEMS ARISING IN UNITED STATES RELATIONS WITH ARGENTINA[88]

103.9168/1423

Memorandum by the Chief, American Republics Requirements Division (Knox) [89]

[WASHINGTON,] December 28, 1943.

The Department is in receipt of an increasing number of letters and inquiries on the part of American exporters complaining bitterly of our export policy towards Argentina. This is to be expected. FEA [90]

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[86] Consortium Trust Affiliates, composed in prewar days of British, American, French, German, and Italian interests; controlled Transradio Internacional Argentina and Transradio Internacional Chilena.

[87] The trust constituted by agreement among the participants in the Consortium was continued until the end of the war by action of the majority interests in February 1945.

[88] For correspondence on the efforts of the United States to enlist the American Republics and the United Kingdom in a common policy toward Argentina, see pp. 288 ff.

[89] Addressed to Emilio G. Collado, Special Adviser on the American Republics; Charles P. Taft, Special Adviser on Supply and Resources; Philip W. Bonsal, Chief, Division of American Republics, and Laurence Duggan, Adviser on Political Relations.

In the margin Mr. Collado addressed Mr. Taft as follows: "This may be very serious. Can you handle in the Exp. Mkt. Comm. or should we take it up with A–A [Assistant Secretary Acheson] for a formal protest to British? EGC"

[90] Foreign Economic Administration.

also reports that they are besieged by people who are becoming increasingly vehement regarding our restrictions against exports to Argentina under the policy determination, their opposition based on the ground that they have word from their agents that the British are boasting of their ability to supply things that we cannot.

I am not greatly worried about this attitude on the part of the American exporter although they are appealing to their Representatives in Congress to bring pressure upon the Department, alleging that the Department has adopted a policy which is a gross discrimination against American trade. What is really happening, of course, is that the Argentine importer is playing off American against British interests with the hope of provoking a discord. On the other hand, there appears to be sufficient evidence that there is less cooperation with the British than we desire on this question of exports to Argentina. At the moment the FEA is raising hob with the Department over Airgram No. 1382 from Buenos Aires (December 14, 1943) [91] indicating the arrival there from Great Britain of a replacement shipment of machinery to a consignee which, according to our classification, is definitely "bad"; this consignee has a CA 4 rating.[92]

It is understood that FEA feels it can get little satisfaction from the Department on this matter and is going to handle it with the British through their Lend-Lease man, although apparently it is not a Lend-Lease question.

To summarize the above, FEA is under great pressure from the exporters on our Argentine policy and is convinced that the British are using our restrictions to their advantage.

835.24/2580 : Telegram

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

BUENOS AIRES, February 29, 1944—10 p. m.
[Received 11:06 p. m.]

590. Certificate of necessity system referred to in Department's 355, February 28, 8 p. m.,[93] is administered by Central Bank under decree of National Government and subject to joint directives issued by Ministries of Treasury and Agriculture. Hence official acceptance of certificates would constitute a form of recognition. However, it is not believed that unacknowledged receipt of certificates for next

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[91] Not printed.

[92] The consignee was on the United States confidential list which consisted of the names of persons or firms closely identified with the Proclaimed List firms.

[93] Not printed; in it the Department recommended the continuance of acceptance of certificates of necessity for certain commodities from the United States providing this did not constitute recognition (835.24/2580a). For details of the certificate of necessity system, see despatch 15003, June 9, from Buenos Aires, p. 416.

week or 10 days would cause embarrassment in this regard since all Embassy relations with Central Bank are at standstill. Therefore Embassy recommends that existing situation not be disturbed for the moment.

Embassy requests Department carefully consider dangers inherent in abandonment of certificate of necessity system. Unless substituted plan permits advantages already won by consignee control to continue, efficacy of economic warfare in Argentina will be seriously threatened and our postwar position further complicated if control is entirely concentrated in Washington. Consignee control has rechanneled imports and these are now in hands of responsible firms upon whom U. S. must depend in postwar for its major outlets in this country. Furthermore great majority of firms who are now receiving merchandise are exercising high degree of control over secondary distribution. All of these advantages can be easily lost if present cooperative joint FEA–Embassy controls are discontinued since complete transfer to Washington would eliminate day to day contact with trade and irreplaceable current information derived therefrom.

Therefore, the Embassy submits following recommendations: If Department decides on non-recognition, certificate of necessity system for Argentina be abolished. Exporters to make application direct to FEA. FEA to license only (*a*) materials unquestionably in free supply; (*b*) materials in short or critical supply consigned to industries engaged in war effort or if needed for public health and safety. FEA to confine its consignee control only to proclaimed and confidential lists.

FEA to forward daily by airmail to Embassy (since speedier action not necessary in case of Argentina) a list covering its proposed approvals. List to be dated and numbered numerically and each item to also be numbered numerically, starting daily with no. 1. A copy of each corresponding export license application to be attached to list.

Embassy would then cable only its disapprovals thus "List 9 disapproved: Items 2, 5, 35, 40". Full reasons for rejection would then be sent by airmail but in meantime all other licenses could be issued.

This system would permit Embassy to keep trade in established channels and maintain its present consignee control which has proven itself as most efficient economic warfare weapon possessed by this mission.

Basis for classification of materials in short or critical supply must be agreed upon if plan is to be successful and if Embassy and FEA are to implement it harmoniously. This classification cannot be determined on a day to day basis since political situation requires a consistent rather than a fluctuating policy. It is suggested that present method used by Embassy be continued, namely that materials defined

as critical by August 26 policy [94] are following: Controlled materials, Class B products containing controlled materials, Groups 1 and 2 of WPB [95] substitutions and supply list, and such other products as may be determined by FEA. Quotas for the foregoing critical materials could be set up in Washington and licenses permissible under August 26 policy charged against them but these quotas should not be made public in any form.

FEA representative concurs in foregoing.

ARMOUR

835.24/2581 : Telegram

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

WASHINGTON, March 4, 1944—8 p. m.

278. Department has reviewed situation regarding copper orders and shipments from Chile to Argentina as explained your telegrams Nos. 378 of February 29, 8 p. m. and 382 of March 1, 1 p. m., and copy telegram No. 609 of March 1, 6 p. m.[96] from Embassy in Buenos Aires to you.

Department believes that the only shipments which have any basis whatsoever for justification are the 2,000 tons mentioned in FEA's telegram No. 247 of February 25 [*26*], 8 p. m.[97] and then only providing that shipments are made at rate of 150 tons of semi-manufactures per month. Regarding balance of orders amounting to 4,325 tons, you are requested to employ delaying tactics as much as possible, and to inform Chilean authorities this Government is of opinion that shipments would be very questionable in any instance and particularly undesirable pending the result of joint consultations in progress regarding status of regime now in Argentina. It is perhaps inevitable that Chilean authorities will "pass the buck" to this Government and if so we will assume responsibility.

. . . . . .

STETTINIUS

835.50/139 : Telegram

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

WASHINGTON, March 10, 1944—10 a. m.

413. The Department and other interested agencies are reexamining our economic policy toward Argentina in the light of recent develop-

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[94] For statement of this policy, see *Foreign Relations*, 1943, vol. v, p. 492.
[95] War Production Board.
[96] None printed.
[97] Not printed.

ments. It now appears possible that there is sufficient beef in the United States to supply British demands for a period of approximately 6 months and it may, therefore, be possible for the United States and the United Kingdom to cut off all imports including beef from Argentina. You may wish to review the programs outlined in your 105, January 13, 3 p. m.[98] in the light of this information. Please send your comments or suggestions regarding economic policy to be followed.

With respect to the possibility of cutting off food exports from Argentina to the United States and the United Kingdom, does the Embassy envisage any important disadvantages arising out of the divergence of these exports to other Latin American countries or the Union of South Africa? What, if any, British and United States purchases would have to continue because of existing contracts?

With reference to eliminating certificate of necessity system, FEA is prepared to institute plan proposed in your telegram 590 of February 29, 10 p. m. with single exception that it may be necessary to send you extracts of applications rather than applications themselves. Please advise if and when you think advisable to institute plan.

This telegram should not be construed to imply that the Department has reached a decision with regard to the import and export policy. The Embassy's suggestions are requested in order to assist exploratory studies now in process.

STETTINIUS

835.50/169 : Telegram

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

BUENOS AIRES, March 15, 1944—12 noon.
[Received 3 : 39 p. m.]

729. Embassy feels strongly, in answer to Department's 413, March 10, 10 a. m., that Argentine situation is such that either all out measures should be undertaken or our present economic policies left substantially unmodified. Halfway measures would play into hands of present regime and furnish it with grounds for charging external pressure and infringement of sovereignty, and could result in the various groups which are today at swords points being forced into a semblance of unity under banner of nationalism. Even an all out program should be carefully implemented and designed to encourage better elements in Argentina to clean house and have available a face saving solution which would not compromise their national dignity. Furthermore, if action is to be taken measures should be instituted promptly since the irresponsible and self-seeking military and nation-

[98] *Ante*, p. 290.

alist elements which are today in control of this government are seemingly gambling on fact that neither Britain nor the United States will adopt any serious economic sanctions in face of imminent invasion of Europe.

If it is possible for Britain and the United States to adopt measures indicated in Department's 413 following program is submitted for consideration:

1. FEA to announce transfer of consignee control from Buenos Aires to Washington.
2. American, British, and Allied controlled ships to stop calling at Buenos Aires, but no announcement to be made with respect to this decision.
3. Agency in the United States of Argentine flag vessels to be unofficially advised that Allied bunkerage facilities would not be made available until further notice.
4. Suggestion contained in item 6 of Embassy's telegram 105, January 13, 3 p. m.[1] to be fully implemented.

These measures would impose a practical embargo on bulk of Argentine international trade. While they would lack the dramatic and immediate effect which would be given them by public announcement, following reasons counsel procedure suggested:

a. No threats or ultimatums having been made, shipping could be resumed without undue embarrassment if Allied authorities later felt that war effort was being seriously handicapped.
b. Present Argentine regime would find it more difficult to charge foreign interference in Argentine affairs.
c. Purchases from Argentina and sales to Argentina would be automatically restricted by lack of shipping facilities.
d. Emergency war requirements could be used as reason for diversion of Allied shipping and refusal of bunkers and would assist in following course outlined in (*a*) above if this should prove necessary.

It will be noted that suggestions made above differ radically from those outlined in Embassy's 105, January 13, 3 p. m. At that time the utilization of purchases from Argentina as basis for action did not appear possible, and entire program was built around Argentine neutrality. Measures which could logically be taken with respect to neutral state would today appear punitive if taken against a country which had broken relations with Axis, unless our government were prepared to give lie direct to public statements made by officials of Ramírez and Farrell regimes. In category of punitive measures, general freezing of Argentina is included. Embassy does not recommend this measure at present time, since it would provide present regime with evidence that punitive action is being taken and this disadvantage outweighs economic warfare advantages of measure.

[1] *Ante*, p. 290.

While Embassy has always felt that no Government in Argentina could withstand more than few weeks suspension of meat and other Allied purchases, we wish to point out that today we are dealing with government composed largely of undisciplined army officers, self-seeking army politicians and fanatic nationalists. Situation is dangerous both internally and externally.

Should Department decide to adopt a program along lines indicated herein, it will undoubtedly give consideration to possibility of obtaining support from other American Republics either in form of an announcement by them or through recall of their representatives in Buenos Aires, in event that British and American Ambassadors were recalled.[2]

ARMOUR

835.50/170 : Telegram

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

BUENOS AIRES, March 15, 1944—1 p. m.
[Received 4:30 p. m.]

730. The following information supplements Embassy's 729 of March 15, noon:

1. Suggested program designed to permit imposition and lifting of sanctions without public announcement. This approach necessary not only for reasons explained in telegram under reference but also because events moving so rapidly in Argentina that any program must be able to quickly take advantage of new developments. Hence, shipping is used as basis. Weakest link may be point 3 relating to Allied bunkerage facilities. In view of bunkerage requirements of Argentine ocean going vessels (coal, 27%; fuel oil, 62%; diesel, 11%) and of stocks held in Argentina, it is believed Argentine vessels could continue to operate. Naturally this would be at expense of industry and public utilities which are already hard pressed for fuel. It would be wise to further implement effects of bunkerage measures by drying up northbound cargo. As heaviest tonnages (zinc concentrates, tungsten, vegetable oils, hides, leather) are under public purchase, it is assumed indefinite delaying tactics can be employed without need for announcement that purchases have been stopped. Furthermore, a heavy private purchase (wool) could be discouraged through M-63.[3] Department is requested study bunkerage suggestion in connection with report 98, March 1, 1944,[4] analyzing export commerce by flag of registry.

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[2] In regard to the recall of representatives, see pp. 315–332, *passim*.

[3] For text of the General Imports Order M-63, January 18, 1943, see 8 *Federal Register* 850.

[4] Not printed.

2. It is not believed diversion meat and other exports to Latin America or South Africa sufficient importance affect general decision.

3. While Embassy convinced meat is keystone, it must point out that actual effects of discontinued shipments would be less immediate than in January. Killing season peak passed. Extraordinary February shipments believed [*relieved*] storage facilities. With no more shipments, killing could continue uninterrupted for 1 month to 6 weeks. Subsequently, ability *frigoríficos* continue operations depend two factors:

a. Amount tinplate made available since theoretically if tinplate continued available operations could be indefinitely continued, but it is believed tinplate feature alone would force close down within period variously estimated at from 3 to 4 months.

b. No *frigorífico* could long carry financial burden of full freezers, nor could Argentine Government easily withstand loss from canning all available beef and mutton. Pork could not be canned. Hence, while theoretically packing plants could continue, actually repercussions in stock raising and meat processing industries would be profound and immediate.

4. In Embassy's opinion program suggested would not violate provisions of British meat contract or of American commitments with respect to sunflowerseed oil, peanuts, and tungsten. In case of tungsten it will be necessary under agreement to pay 80% of value of any mineral available for export until termination of agreement, even though shipment is not made. This amount estimated at 2 million United States dollars.

ARMOUR

835.24/2759

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

No. 15003 BUENOS AIRES, June 9, 1944.
[Received June 19.]

SIR: I have the honor to attach hereto a memorandum of an informal conversation [5] between an officer of the Embassy and three officials of the Argentine Central Bank held at their request.

It is felt that the attitude of the Bank is clearly expressed in the statements made by Dr. Hector C. Liaudat, Chief of the Exchange Department, who is also in charge of the Certificate of Necessity procedure in so far as the Argentine Government is concerned.

The decision as to whether the present system should continue in force rests with the Department, and the Embassy will appreciate an early instruction in this regard.

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[5] Not printed.

It is felt that the Embassy should call the Department's attention to certain pertinent points in connection with the matter, and these are outlined below.

CERTIFICATE OF NECESSITY SYSTEM

I. *Background*

1) In January 1942, the Argentine Government was requested to issue Certificates of Necessity, distributing quotas which had been fixed by the United States for allocated materials;
2) The idea behind the procedure was that the receiving country should decide which consignees and end uses would be most essential to its economy, taking into consideration the limited amounts available from the United States as a result of the war;
3) In January 1943, the Argentine Government was requested to issue Certificates of Necessity for all commodities, whether allocated or nonallocated, and on February 19, 1943, the Central Bank started issuing such Certificates;
4) A study of various systems whereby exports from the United States could be channeled into proper end uses and to satisfactory consignees resulted in the Embassy's decision and the Department's concurrence that the Certificate of Necessity was the most satisfactory answer.

II. *Implementation*

1) Before adding approximately 75 new officers to its staff, the Central Bank asked, and obtained the Embassy's assurance, that no commodities would be granted export licenses in the United States unless the applications were accompanied by Certificates of Necessity, the only exceptions to this agreement being shipments valued at less than $25.- (U. S. Currency), newsprint, and materials needed by *frigoríficos* and strategic mines;
2) B. E. W.[6] continued issuing certain licenses until August 1, 1943, in spite of the Embassy's agreement with the Central Bank, much to the embarrassment of both the Central Bank and of the Embassy;
3) From August 1, 1943 to February 25, 1944, the Certificate of Necessity-Consignee Control System operated efficiently and functioned as follows:

(*a*) Importers make application to Central Bank for a Certificate of Necessity;
(*b*) Bank bases its decision on granting Certificate, using separate yardstick for each of the following groups of commodities:
(1) Allocated,
(2) Non-allocated,
(3) Short supply in the United States,
(4) Plentiful supply in the United States,
(5) Essential to Argentine economy,
(6) Non-essential to Argentine economy.

[6] Board of Economic Warfare, a predecessor agency of the Foreign Economic Administration.

(*c*) Only normal importers may obtain Certificates unless valid reasons can be given for not having imported previously;

(*d*) Two copies of Certificates are given to importers and three copies to the Embassy;

(*e*) Embassy screens Certificates against economic policy towards Argentina, end use, and consignee;

(*f*) Embassy recommends to licensing agency in Washington, as a result of this screening that license application be approved or rejected.

(4) System requires *Notes Verbales* to Foreign Office communicating allocations and lists of commodities in short supply in the United States, and also requires daily informal conversations between officers of Embassy and Bank to discuss numerous individual cases and problems;

(5) Since February 25, no *Notes Verbales* have been sent to Foreign Office and no informal conversations have been held by the officers of the Embassy and the Central Bank;

(6) Since February 25, the Bank has consistently granted Certificates, using only those allocations and criteria communicated by Embassy prior to that date;

(7) As a result of (6), commodities earmarked for Argentina are not being made available to importers here.

III. *Conclusions*

(1) The Embassy is convinced that the consignee control system, of which the Certificate of Necessity procedure is a part, has been the most effective economic warfare weapon employed in Argentina, a country which, while doing nothing to assist the United States, has consistently aided enemy firms to continue operations;

(2) Consignee control with Certificates of Necessity has kept exports in normal trade channels which is an important protection against unethical and unscrupulous exporters in the United States and importers in Argentina who would not hesitate to profiteer and ruin the good name of American manufactures and products;

(3) Should the situation continue which has existed since February 25, undoubtedly the Bank will be forced by pressure from the Government and public opinion to become more liberal in granting Certificates of Necessity and the result will be large numbers of such Certificates which the Embassy must recommend unfavorably to Washington. This will result in increased inconvenience, expense, ill will, and disappointment to both importers in Argentina and to exporters in the United States;

(4) As materials become more plentiful in the United States, there is no valid reason for continuing the present rather complicated system of controlling exports, except to make certain that:

(*a*) American material does not reach our enemies;

(*b*) Unscrupulous exporters and importers are not permitted to distribute goods of unsatisfactory quality which will damage the good name of American products. (The Department will remember the serious effects on American trade of indiscriminate

"dumping" in Argentina and elsewhere at the conclusion of the first World War.)

(*c*) Make certain that commodities in extremely short supply in the United States not be exported to Argentina except when the end use is our war effort or Argentine public health or safety.

(5) Great Britain and all other countries, with the exception of the United States and Canada, will, as their materials become more plentiful, attempt to supplant American sales to Argentina because importers prefer to buy without going to the inconvenience of filling out all the forms necessary for obtaining Certificates of Necessity and licenses. (This is already a part of the sales campaign of representatives of British and other exporters.)

(6) The danger exists that Argentina will continue to use the Certificate of Necessity system, or a similar control after the end of the war, and nothing should be done by the United States to encourage such a program which would result in discrimination and control of imports from the United States;

(7) The Division of World Trade Intelligence now has sufficient Consignee Control Reports from the Embassy to permit a satisfactory screening of most license applications and thus assure the objectives set forth in 4(*a*) and 4(*b*);

(8) The question should be asked whether licensing authorities in Washington can successfully withstand the pressure of "fly-by-night" exporters who are unsympathetic to any controls which keep them from selling their wares in a lucrative market such as Argentina;

(9) Not one single exception has been made to the rigid rules of the consignee control policies. No favors have been shown because of nationality, race, creed, prestige, or persuasive argument, and even though the system causes many inconveniences to importers, it is felt that the fair and consistent treatment of all cases has created a favorable impression and considerable goodwill. Should equally fair and consistent treatment not be possible under a system implemented in Washington, that goodwill could easily be broken down and our economic warfare controls again become ineffective.

The Embassy feels that the above outline is sufficiently complete to permit of a thorough and careful study by the Department which will also have additional information, such as the advisability of sacrificing certain economic warfare controls in favor of postwar trade, or vice versa.

The Embassy repeats that an early instruction from the Department is greatly needed at this time.

The Special Representative of the Foreign Economic Administration requests that a copy of this despatch be transmitted to the Foreign Economic Administration.

Respectfully yours,

For the Ambassador:
MERWIN L. BOHAN
Counselor for Economic Affairs

835.34/834

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

WASHINGTON, July 19, 1944.

MY DEAR MR. SECRETARY: Reference is made to your letter of June 3 [10] recommending that the United States policy toward the present Argentine regime be re-examined with a view to correcting certain apparent inconsistencies with respect to the shipment of maintenance equipment and repair parts to the Argentine armed forces.

The matter in question has received the careful attention of this Department, and as the result of an exchange of views with the War Department steps have now been taken to terminate the shipment of material for the Argentine army air forces and to cancel the licenses covering the particular items mentioned in your letter. There are enclosed for your information a copy of the Department's letter to the Secretary of War with a copy of its letter to the Foreign Economic Administration.[11]

This Department has recently received a report from the American Embassy at Buenos Aires dated July 8, 1944, from which it would appear that a considerable amount of maintenance and repair parts as well as other material for the Argentine Navy has arrived in Buenos Aires during the past six months. A copy of this report is enclosed.[10]

As indicated in your letter under reference, the Acting Secretary of the Navy stated in his letter of January 18, 1944,[10] that appropriate steps were being taken to insure that shipments of such material to the Argentine Navy would not be approved. In view of the desirability of withholding all shipments of parts and other material to the armed forces of Argentina under existing conditions, the comments of the Navy Department with respect to the reported shipments to the Argentine Navy during the past six months would be appreciated.

Sincerely yours, CORDELL HULL

835.50/9–444 : Telegram

The Secretary of State to the Chargé in Argentina (Reed)

WASHINGTON, September 4, 1944—7 p. m.

1378. Your 105, January 13, 3 p. m.[12] To re-enforce our political stand towards Argentina, the Department proposes to put into effect as soon as practicable the following revised export program quoted in paraphrase:

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[10] Not printed.
[11] Neither printed.
[12] *Ante*, p. 290.

"1. With the exception of projects directly contributing to the war effort no Argentine development project will be approved.

2. Operational equipment used in connection with the production of petroleum products and boring and oil field equipment, as well as all other types of petroleum equipment, shall not be exported. The exports of fuel oil shall be limited to the minimum amounts necessary to assure the continued services of Argentine tankers in transporting vegetable oils to the United States.

3. The export of automotive vehicles, railway locomotives or rolling stock is forbidden.

4. No further increase in the number or value limits of products exportable to Argentina under general license shall be permitted.

5. Exports to the Argentine Armed Forces and supplies and materials for the Argentine armament industry are forbidden.

6. The export of Fourdrinier phosphorous bronze screens suitable for the manufacture of newsprint is forbidden.

7. Through navicert control or other appropriate devices an endeavor shall be made to obtain similar reductions in exports to Argentina by other countries.

8. The quarterly issuance of licenses for the export of all products not otherwise limited herein shall be restricted to the requirements of those industries in Argentina whose products are essential to the United Nations war effort plus 1) minimum amounts for the maintenance, repair and operations of industries and public utilities contributing to the United Nations war effort, and 2) minimum amounts in other fields for the maintenance of public health and safety.

(Products defined as necessary for the maintenance of public health and safety shall consist exclusively of the following: restricted amounts of essential drugs for the avoidance of epidemics and the treatment of disease; essential equipment for hospitals, clinics and other public health centers; supplies essential for the maintenance, repair and operation of the common public utilities.)"

It is desired that the foregoing changes be accomplished with a minimum of publicity. No announcement will be made here, and it is expected that you will continue to accept from the Central Bank certificates of necessity issued in accordance with existing procedure, which you should screen closely against the above stipulations. No intimation of the change should be given the Central Bank.

The foregoing program will be presented by the Department to the British with a request that they adopt similar restrictions. Transmission of a directive to FEA embodying this revision is being held up for your comments.[13]

Instructions are also being given to WSA,[14] effective October 1, 1944, to withdraw all vessels under its control from the northbound service with the exception of those nominated for the lifting of corn and one Norwegian vessel scheduled to take a miscellaneous cargo in late September or early October. WSA is also being requested to

[13] See airgram A–936, December 16, from Buenos Aires, p. 371.
[14] War Shipping Administration.

obtain strict adherence by the Flota [15] to its agreement pertaining to the lifting of priority cargo.

HULL

811.20 Defense(M)/9–1644: Telegram

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

WASHINGTON, September 16, 1944—7 p. m.

535. The Department has requested War Shipping Administration to assign no additional vessels under its control to lift cargo in the Argentine after October 1. An exception was made in the case of a Norwegian vessel which is already nominated and cargo booked.

If this measure is to be effective, care must be taken to prevent, so far as possible, barging of cargoes from Buenos Aires to Montevideo for transshipment. No consular invoices should be issued from Montevideo unless consul is assured that M–63 [16] authorization related to shipment designates Uruguay as the source of the shipment and the shipment has in fact originated in Uruguay. Imports Order M–63 denies authority to import commodities from source other than that indicated in the authorization.

HULL

835.24/9–2244

Memorandum by the Special Adviser on Supply and Resources (Taft) [17]

[WASHINGTON,] September 22, 1944.

1. *Export Controls*

On September 9 the Department sent a letter to the Foreign Economic Administration [18] setting forth a more restrictive policy on exports to the Argentine. The FEA was requested to restrict export licenses on all commodities rather than just scarce commodities as in the past. We will still send items needed for the health and safety of the Argentine people and those needed in connection with the United Nations war effort. Copies of this new policy were distributed to all licensing officers in FEA this week, and the policy is now in effect.

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[15] Flota Mercante del Estado, Argentine Government-controlled shipping organization.

[16] 8 *Federal Register* 850.

[17] Addressed to Norman Armour, recalled from Buenos Aires for consultation in Washington. His departure from Buenos Aires was reported on June 28, 1944.

[18] See footnote 81, p. 348.

2. *Reduction of Imports*

a. The War Shipping Administration has agreed to withdraw all tonnage under its control beginning October 1, with the exception of a small Norwegian vessel which was nominated for early October loading prior to our request.

This means that northbound cargo will be carried only on Argentine vessels and possibly an occasional returning tanker that has gone down with petroleum. The Flota Mercante is likely to load the most profitable cargoes rather than conform to our shipping priority list. Our only control under the circumstances is through General Imports Order M–63.

b. We have attempted to persuade the Norwegians to procure 20,000 tons of rye in the United States rather than in the Argentine. They have politely but firmly pointed to the difference in price and to their short exchange position. The forthcoming Belgian meat purchases are the subject of our memorandum to Carl Spaeth [19] of September 20.[20]

Although these measures respecting imports and exports should succeed in their purpose of reducing the amount of this country's business with the Argentine prior to VE–Day, I think we should give some consideration to the situation that will exist after controls are relaxed across the board following the collapse of Germany. For example, the export controls of FEA have been based largely on scarcity and presumably will be abandoned as surplus supplies replace scarcities. The Argentine would then have to be singled out for special administrative treatment if exports to that country are to be restricted. Even in this event there is no certainty that they would not receive an increasing tonnage of American goods, for if there is a free flow to all other American republics it is unrealistic to believe that a large and increasing quantity of transshipment will not occur.

It is planned that a progressive relaxation shall take place in our administrative imports controls as the shipping situation eases. Again Argentina must be singled out for special administrative treatment if imports from that country are to be denied. Shipping will be plentiful and even if Argentine products do not come to U.S. ports directly, it is unrealistic to believe they will not come by transshipment through other American republics if we are not exercising an import control over the whole Hemisphere.

We may want to discuss the economics of our Argentine policy in Phase II at greater length after we have given it further thought.

CHARLES P. TAFT

[19] Chief, Division of River Plate Affairs.
[20] Not found in Department files.

835.24/9–2744 : Telegram

The Chargé in Argentina (Reed) to the Secretary of State

BUENOS AIRES, September 27, 1944.
[Received September 27—1 : 30 p. m.]

2485. All newspapers last night and today prominently published press association despatches based on Department's statement [21] that American ships will not call at Argentina ports. Several newspapers also published AP despatch stating that Department has given instructions to FEA to limit export licenses for Argentina to minimum needs of public health and essential material for war effort. *La Prensa* published UP despatch quoting official announcement of WSA that prohibition against American ships calling here will not prevent strategic materials from being carried in Argentine vessels.

La Fronda editorial states that new measure regarding American ships was produced in "that incubator of conflicts which have come from White House since advent of Roosevelt." It adds "We are not disposed to consider this as commencement of announced sanctions with which Hull threatened us some time ago since in order to be sanctions American vessels would have to be only means of shipping Argentina's exportable surpluses but as is well known these are shipped on all kinds of flag vessels and especially in those of our own merchant marine."

Cabildo states that the panic in Argentine stock exchange was the first step of a vast plan by powerful foreign forces directed by "a foreign minister" and designed to damage Argentine interests which do not harm government directly but rather entire country. New shipping measure directly affects economy of Argentine people and not its government. Price that Hull would demand for desisting from his purpose would be change of that government for another complacent to his insistent demands. American presidential elections approach and enraged Secretary knows that whatever be result of election his fate is sealed. Even if Roosevelt is elected he will not remain in Cabinet.

El Diario states that ship announcement which is more offending than practical adds to other recent measures and declarations which prove that the Yankee leaders propose to apply sanctions against this country. The cause for this attitude remains unknown to Argentine public opinion. Editorial then quotes from Peluffo's address of July 26 regarding Argentine aid to the war effort citing it as proof that there does not exist in Argentine Government aggressive or unfriendly purposes against the United States or against any continental country.

[21] Statement to the press, September 26, 1944.

El Pueblo published Reuter[s] despatch summarizing an editorial from *El Diario* of Montevideo stating action of our Government is equivalent to rupture of all commercial relations between the United States and Argentina and assuming that Great Britain will follow suit.

REED

835.50/9–2944 : Telegram

The Secretary of State to the Chargé in Argentina (Reed)

WASHINGTON, October 2, 1944—8 p. m.

1513. Your 2498, September 29.[22] Policy directives embodying the changes described in the Department's 1378, September 4, were transmitted to FEA and WSA on September 9 and have been put into effect.

Certificates of necessity should, therefore, now be screened against the revised export policy statement in lieu of the August 26 memorandum.[23] Otherwise, for the present at least, no change should be made in the administrative procedure described in Section II of the Embassy's despatch 15003 of June 9. Certificates received by FEA after September 19 are being screened against the new standard. As heretofore, licenses will not be issued without corresponding certificates of necessity. Additional publicity regarding the policy should be avoided as should also conversations with the Central Bank, but you may advise inquirers on specific cases. Please report fully any indications of Central Bank reaction.

It is regretted that the foregoing was not communicated to you earlier.

HULL

835.85/12–744 : Telegram

The Secretary of State[24] *to the Chargé in Brazil (Donnelly)*

WASHINGTON, December 14, 1944—7 p. m.

3699. Your 4351, December 7, 4 p. m.[22] With reference to the request of the French Government for the return of three vessels taken over by Argentina the Department has taken the position that it would be preferable in the light of all circumstances to have the vessels remain with Argentina and in Inter-American trade. For the Embassy's information, this position was taken because of the opinion

[22] Not printed.

[23] *Foreign Relations*, 1943, vol. v, p. 492.

[24] Edward R. Stettinius, Jr., took the oath of office as Secretary of State on November 30, 1944.

of the Embassy at Buenos Aires that the willingness of the Argentine Government to return these ships was based upon their desire to improve its position with the French Government and probably to provide a channel for direct exports to France. Also, it has been indicated by Peru that the United States would be expected to make up for the loss of service provided by these vessels. The present shipping situation prevents our doing this. The Department takes the view also that the addition of three vessels to the general Allied pool would mean less than the removal of three ships from the Inter-American trade. Also, approval of the return of these ships might lead to increased pressure particularly on the part of the Italians for the return of Italian ships taken over by the American republics. Accordingly, the Department's representative at a meeting of the Subcommittee of the Inter-American Financial and Economic Advisory Committee [26] held on November 22 supported a resolution to the effect that the utilization of the vessels formerly immobilized still is necessary to the economies of the American republics.

It is the view of the Department that in view of the above considerations Brazil will find it desirable to support Subcommittee resolution and the cooperation of the Brazilian delegate in this regard would be appreciated.

Sent to Rio; repeated to Buenos Aires.

STETTINIUS

[26] Organized on November 15, 1939, as a result of the Meeting of the Foreign Ministers of the American Republics at Panama in that year; see Department of State *Bulletin*, March 2, 1940, p. 267.

BOLIVIA

RECOGNITION BY THE UNITED STATES AND OTHER AMERICAN REPUBLICS OF THE REVOLUTIONARY JUNTA IN BOLIVIA[1]

824.01/178 : Telegram

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

BUENOS AIRES, January 4, 1944—1 p. m.
[Received 2 p. m.]

18. Text of Argentine note extending recognition to new Bolivian regime and lengthy statements by Foreign Office justifying this action were made public last night. I understand that press associations have cabled text of note and summaries of statement. Texts and translations are being forwarded by air mail.[2]

Statement by Foreign Office cites assurances given by new Bolivian regime and information from Argentine Ambassador in La Paz,[3] concluding that "all these elements of judgment have led inevitably to the conclusion that the new government of Bolivia enjoys the conditions required by international usage for the recognition of *de facto* governments, that is to say, in the internal aspect, capacity to maintain order, and in the external, the intention and promise to respect international obligations previously contracted." Statement goes on to cite policy on recognition laid down by Thomas Jefferson in instructions to Gouverneur Morris[4] and that enunciated by Secretary of State Buchanan in instructions to Minister Rush in Paris, quoting from Moore's *Digest*.[5] It refers also to undertakings adopted at various Pan-American conferences against interference in internal affairs of American countries, citing article 8 of Convention approved at Montevideo in 1933;[6] article 1 of protocol approved at Buenos Aires in 1936[7] and paragraph B of article 3 of Declaration of

[1] For treatment of the collective consideration by the American Republics of the recognition question, see correspondence on the Emergency Advisory Committee for Political Defense, pp. 1 ff., *passim*.

[2] Transmitted to the Department in despatch 13405, January 5, 1944, from Buenos Aires, not printed.

[3] Gen. Martín Gras.

[4] John Bassett Moore, *A Digest of International Law*, vol. I, p. 120.

[5] *Ibid.*, pp. 124–125.

[6] Convention on the Rights and Duties of States, *Foreign Relations*, 1933, vol. IV, p. 215.

[7] *Report of the Delegation of the United States of America to the Inter-American Conference for the Maintenance of Peace, Buenos Aires, Argentina, December 1–23, 1936* (Washington, Government Printing Office, 1937), p. 127.

Principles adopted at the same conference,[8] and the repudiation of intervention in internal affairs of any country included in Declaration of Lima in 1938.[9] Purpose of these citations is to support thesis that failure to recognize *de facto* government that fulfills requirements already mentioned constitutes intervention in internal affairs of that country.

Repeated to La Paz and Montevideo.

ARMOUR

824.00/1686

Memorandum of Conversation, by the Chief of the Division of the American Republics (Bonsal)

[WASHINGTON,] January 5, 1944.

Señor de Lozada[10] came in at his request. He informed me that there is on the docks in United States ports a certain amount of lend-lease material[11] consigned to the Bolivian Government. He asked me whether this would be allowed to go forward. I answered in the negative.

Señor de Lozada then showed me a letter which he had received from Señor Augusto de Céspedes, editor of the M. N. R.[12] organ, *La Calle*, and Secretary-General of the revolutionary Junta. This letter, written in a very friendly and familiar style, covers the following points:

(1) A description of the revolution itself with particular emphasis on the widespread and enthusiastic manifestations of popular approval at the overthrow of the Peñaranda regime.

(2) A statement regarding the honest desire of the Junta to cooperate with the United States, since such cooperation is in the best interests of the two countries.

(3) A very stern and forthright statement to the effect that if the Department of State maintains a cold attitude toward the new regime, the latter will defend itself to the last.

I made no specific comment regarding this letter, which was dated December 24, i.e., four days after the revolution. I did, however, express pessimism regarding the general outlook.

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[8] *Report of the Delegation of the United States of America to the Inter-American Conference for the Maintenance of Peace, Buenos Aires, Argentina, December 1–23, 1936* (Washington, Government Printing Office, 1937), p. 228.

[9] Declaration of the Principles of the Solidarity of America, approved December 24, 1938, *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.

[10] Enrique Lozada, Bolivian confidential agent in Washington.

[11] For correspondence on the negotiation of a Lend-Lease agreement between the United States and Bolivia, see *Foreign Relations*, 1941, vol. VI, pp. 422 ff.

[12] Movimiento Nacionalista Revolucionario, founded and led by Victor Paz Estenssoro.

824.01/596

Memorandum by the Chief of the Division of the American Republics (Bonsal) to the Chief of the Division of Cultural Relations (Thomson)

[WASHINGTON,] January 6, 1944.

MR. THOMSON: Owing to the present situation which exists in Bolivia and the attitude of this Government towards the Junta which has established itself in La Paz, it is felt that it would be desirable to suspend all cultural relations activities which might require contact between officials of the United States Government and the Junta authorities. This policy would apply specifically to fellowship, scholarship and travel grant programs where a Bolivian recipient might present a passport issued by the Junta to the Embassy for a visa. In this connection, the Department has instructed the Embassy in La Paz not to honor any document executed by the present Junta.

In the event that the Department has agreed with the Embassy in La Paz to meet certain deadlines for announcement of awards, there would be no objection to forwarding the notification of awards with specific instructions not to deliver them to the recipients until such time as further instructions are given to the Embassy.

May I also suggest that RC [13] undertake to inform the Coordinator's Office [14] and other interested agencies of this policy.

PHILIP W. BONSAL

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710 Consultation (3)A/580a : Circular telegram

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

WASHINGTON, January 6, 1944—10 p. m.

I have today sent the following telegram to Dr. Guani, President of the Committee for Political Defense in Montevideo:

"I have the honor to acknowledge the receipt of Your Excellency's telegram of January 5 [15] transmitting to me the text of the resolution adopted by the Emergency Advisory Committee for Political Defense on that day [16] resolving:

'To recommend to the Governments of the American Republics which have declared war on the Axis Powers or have broken diplomatic relations with them, that before proceeding to recognize the new Government of Bolivia they carry out as soon as possible, through regular diplomatic channels, both the con-

[13] Division of Cultural Relations.
[14] Office of the Coordinator of Inter-American Affairs.
[15] Not printed.
[16] Resolution XXIII. For full text, see Emergency Advisory Committee for Political Defense, *Second Annual Report*, July 15, 1943–October 15, 1944 (Montevideo, 1944), p. 92.

sultations and the exchange of information recommended in Resolution XXII [17] of the Committee, for the purposes therein indicated.'

In reply, I desire to inform you that this Government is in hearty accord with this resolution, as with the prior resolution to which it refers, and that this Government will promptly engage in the recommended consultations and exchanges of information with the other eighteen interested Republics. In adopting these resolutions, the Committee over which you have the honor to preside has, in the judgment of this Government, rendered distinguished service to the cause of hemispheric solidarity and security."

HULL

824.00/1491a : Circular telegram

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

WASHINGTON, January 8, 1944—midnight.

The Department has prepared a memorandum [18] on the connections of the new Bolivian revolutionary regime with elements hostile to continental defense which will shortly be forwarded to you by air mail for delivery to the foreign offices of the Governments to which you are accredited, in compliance with the recommendation approved on January 5 by the Emergency Advisory Committee for Political Defense. The memorandum will also be presented to the Committee for Political Defense and forwarded to our Embassies at La Paz and Buenos Aires for their information.

HULL

824.00/1530a : Circular telegram

The Secretary of State to Certain Diplomatic Representatives in the American Republics [19]

WASHINGTON, January 10, 1944—10 p. m.

You are instructed to seek an early opportunity for an interview with the Minister of Foreign Affairs, with reference to the subject of the Department's circular telegram of January 8, midnight, and to inform him that the memorandum concerning the Bolivian revolutionary regime, which is being forwarded for presentation to the

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[17] Resolution XXII was approved December 24, 1943. For text, 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*, p. 79.

[18] Enclosed with circular instruction dated January 8, 1944, neither printed. For a summary of the memorandum, see circular telegram, January 10, 10 p. m., *infra*.

[19] Sent to Brazil, Chile, Colombia, Ecuador, Paraguay, Peru, and Uruguay.

Foreign Ministers of the American republics which have declared war or have broken relations with the Axis for their strictly confidential information in accordance with the January 5 resolution of the Committee for Political Defense, may be summarized as follows:

Information which has reached the Department from various sources indicates:

1. The Bolivian revolutionary regime is made up of two groups: members of the MNR, a pro-facist political party, and young army officers of the rank of major who have been under Nazi influence as followers or associates of the notorious Major Elías Belmonte.[20]

2. The recently-published official program and platform of the MNR contain elements hostile to continental interests. They disparage democracy, are anti-Semitic, glorify the leadership principle and an all-powerful state and disregard the threat to hemisphere security from Nazi Germany.

3. The MNR leaders have been connected with Nazi groups in Germany and Argentina. Paz Estenssoro, Chief of the Party and now Minister of Finance, frequented the German Embassy in La Paz and received money from Nazi agents for carrying on pro-German propaganda together with party associates Augusto de Céspedes, Secretary General of the Junta, and Carlos Montenegro, Minister of Agriculture. He was involved in 1941 in Nazi-inspired subversive activities of Major Belmonte, Bolivian Military Attaché at Berlin. In 1942 Paz Estenssoro formed connections with Dionisio Foianini, associate of Belmonte who was engaged in a plot with the help of the German Ambassador in Buenos Aires against the Peñaranda government. The official newspaper of the MNR—*La Calle*—received German subsidies and its articles expressed an attitude of hostility to the democracies. MNR congressional deputies opposed adherence of Bolivia to the Declaration by United Nations and filibustered to impede legislation to speed the war effort. MNR leaders also condemned Hull's note [21] to Storni.[22] During Paz Estenssoro's visit to Buenos Aires in July 1943 he associated with Argentine pro-Nazis such as Pertiné, Mayor of Buenos Aires, Ibarguren, publicist and writer, and others. Through Foianini and Father Wilkinson, Argentine priest close to President Ramírez, contact was maintained in Argentina with pro-Nazis while in La Paz Argentine Ambassador Martín Gras and Spanish Chargé d'Affaires, del Castillo, served similar purposes.

4. Army officers actively connected with the Junta are under Nazi influence. President Villarroel, Ponce, Minister of Public Works and Communications, and Pinto, Minister of Defense, have expressed Nazi-inspired views and are closely associated with Belmonte whose continued cooperation with the Nazis since 1941 is demonstrated.

5. Members of the Junta received financial support from pro-Nazi sources. During Paz Estenssoro's visit to Buenos Aires he is reported to have received money from Admiral Scasso, and to have made arrangement for arms and additional financial assistance. Calvo, an

[20] Former Bolivian Military Attaché in Berlin.
[21] Dated August 30, 1943, *Foreign Relations*, 1943, vol. v, p. 454.
[22] Adm. Segundo Storni, Argentine Minister for Foreign Affairs in 1943.

Argentine agent, smuggled arms into Bolivia. Three million bolivianos were secured from German and Argentine sources for the revolt.

6. Since the Junta came into power, certain of its acts have indicated its continuing ties with Nazi Germany and the Argentine government. Wilhelm Kyllman, German businessman and Nazi agent previously expelled from Bolivia, is being allowed to return. Anti-Semitism continues. Organized mob action hostile to democracies was indicated by stoning of *La Razón* and Colombian and American Embassies.

This information is being furnished to you in summary form as the circular instruction of January 8 enclosing the text of the memorandum [23] under reference will not reach you for several days. You should indicate to the Minister of Foreign Affairs that the available evidence indicating foreign involvement in the Bolivian revolt is considered here to be very strong and that it is unlikely that this government will recognize the new regime. You should therefore request that any pertinent information which the government to which you are accredited may be able to contribute be furnished you at the earliest opportunity.

HULL

824.01/258a : Circular telegram

The Secretary of State to Certain Diplomatic Representatives in the American Republics [24]

WASHINGTON, January 12, 1944—midnight.

Reference is made to the Department's circular telegram of January 8 and the instruction of the same date regarding the Bolivian situation. It is assumed that you have already made available to the Foreign Minister the memorandum inclosed with the instruction.[23]

I am anxious as soon as possible to define publicly this Government's position to the effect that the new regime in La Paz cannot be recognized by us. I believe that the evidence which has been assembled and exchanged on the subject warrants the reaching of this definitive conclusion.

Please, therefore, approach the Foreign Minister and, after discussing the situation with him, ascertain and report urgently to the Department whether:

1. He has reached a similar conclusion to ours and
2. Whether he intends to make any public statement in regard thereto. In my judgment it is essential in the interest of our common

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[23] Neither printed.

[24] Sent to Mexico, Guatemala, Nicaragua, El Salvador, Honduras, Costa Rica, Panama, Cuba, Haiti, Dominican Republic, and Venezuela.

defense against aggression from abroad and sinister and subversive activities from within that the position of each of the American republics be made clear on this issue just as soon as possible.

Although I have not yet reached a final decision as to the timing of my statement, I would like to make it on Saturday morning, January 15. I am, therefore, counting on you to handle this matter with the greatest urgency and discretion.

HULL

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710 Consultation (3)A/572a: Circular telegram

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

WASHINGTON, January 13, 1944—2 a. m.

The following portions of a telegram sent today to the Embassy at Mexico are set forth for your information and use if the subject is raised:

"Padilla [25] has transmitted to the nineteen governments approving recommendations of Montevideo Committee for Political Defense regarding Bolivian recognition, see Department's circular telegrams of December 25 and 27 (plain)[26] and January 6 and 8 (restricted),[27] a suggestion that there be a meeting at an unspecified South American capital, presided over by the corresponding Foreign Minister and attended by the diplomatic representatives there accredited, to exchange information and views and recommend, through the Committee, the action they should take concerning Bolivian recognition.

The Secretary, discussing this proposal with Mexican Ambassador [28] Monday, pointed out that various governments had appeared indisposed, on sovereignty grounds, to joint decision on recognition; that, consequently, we were already distributing our information through diplomatic channels as recommended; and expressed hope that each government would announce its decision on recognition after considering all information exchanged. The Ambassador indicated he understood and that proposal might be held in abeyance.

You should clearly understand that the Secretary was appreciative of the basic approach Padilla's proposal reflects, and was not expressing disapproval in substance but merely suggesting that a different procedure was already agreed to and in motion regarding Bolivian recognition. Should a multilateral gathering or action appear desirable at a later stage, such as in relation to the Argentine problems which appear to concern Padilla and us alike, Department would give the most careful consideration to the Padilla proposal."

HULL

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[25] Ezequiel Padilla, Mexican Minister for Foreign Affairs.
[26] Neither printed.
[27] Circular telegram of January 8 not printed, but see footnote 18, p. 430.
[28] Francisco Castillo Nájera.

824.01/608

Memorandum by Mr. Laurence A. Knapp of the Office of the Adviser on Political Relations to the Head of That Office (Duggan)

[WASHINGTON,] January 17, 1944.

In studying the telegrams which I have so far seen, they show that:

1. The U. S. memorandum has been delivered to the other eighteen foreign offices except Chile, Paraguay, and Uruguay.

2. Nine countries (Brazil, Cuba, Dominican Republic, El Salvador, Guatemala, Haiti, Honduras, Nicaragua and Panama) have indicated a willingness to make an announcement of non-recognition. Brazil, however, appears to prefer only a joint statement with us, apparently regardless of other countries, if she is to take this step.

3. Paraguay's willingness to make such an announcement if accompanied by Brazil, Chile, Uruguay, the United States, and, she hopes, Peru, has been forecast by Frost [29] but requires confirmation.

4. Peru has expressed reluctance to make any such announcement; Ecuador and Uruguay appear reluctant to take any such positive step in the near future, and Colombia reports she must first clear with Venezuela and Ecuador. Venezuela and Chile are also undecided, the former because she has favored the Padilla plan.[30] Fernandez appears reluctant and said he must consult Rios.[31] No definite word has been received from Costa Rica, which also favored the Padilla plan. Mexico is still silent for the same reason.

5. I renew my suggestion that the countries willing to make an announcement do so simultaneously and by statements, similarly worded, which reflect the fact that their individual decision refers to the joint consultations and exchanges of information carried through pursuant to the CPD [32] recommendations. Only by such a procedure can the community of action principle, which the countries (Colombia, Costa Rica, Dominican Republic, Mexico, and Venezuela) which have favored a meeting are supporting, be at least in part preserved. As a corollary, I think a joint U. S.–Brazil lead off would be a severe mistake.

LAURENCE A. KNAPP

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[29] Wesley Frost, Ambassador in Paraguay.
[30] See *supra*.
[31] Joaquín Fernández and Juan Antonio Ríos Morales, Chilean Foreign Minister and President, respectively.
[32] Emergency Advisory Committee for Political Defense.

824.00/1811

Memorandum of Conversation, by the Director of the Office of American Republic Affairs (Duggan)

[WASHINGTON,] January 18, 1944.

At the request of his Ambassador, Mr. Lobo [33] came to see me. He had with him a telegram from Aranha [34] requesting the Embassy to ascertain the Department's point of view with regard to several matters relating to the Bolivian situation.

1. Aranha inquired whether a public statement of nonrecognition of the Bolivian regime would not have the effect of delivering Bolivia to Argentina.

To this I replied that the Secretary thought that the background and antecedents of the Bolivian revolution indicated that the Bolivian Junta and the Argentine Government were already in the closest cooperation. The recognition by Argentina of the Bolivian Junta was a clear manifestation of the relationship between the two. I remarked that there probably were some good people in the Junta who would turn to Argentina if recognition was denied but these persons did not appear to be those today in control of the Junta.

2. Aranha inquired what the status of our missions in La Paz would be if our Ambassadors were withdrawn as a result of declaring nonrecognition. To this I said that the withdrawal of Ambassadors did not necessarily mean closing up our Embassies. They could continue to function with existing personnel, so that we would not be cutting off our sources of information in Bolivia.

3. Aranha asked a vague question as to the effect of nonrecognition upon international agreements with Bolivia. I replied that I did not understand this question very well but the fact of nonrecognition would have no bearing upon the validity of duly ratified treaties between Bolivia and other countries.

4. Aranha raised the question of whether we would not be treating Bolivia differently than Argentina unless action was also taken with respect to Argentina. I replied that there would be a difference in that we had already recognized the Argentine Government whereas we did not propose to recognize the new Bolivian Junta. I said, however, that the Secretary was now reviewing the whole Argentine picture and would probably have some ideas to communicate shortly to Aranha.

5. Aranha stated that Brazil could not act except after prior consultation with its neighbors—Uruguay, Paraguay, Chile, and Peru. I said that our Chargé d'Affaires [35] had sent in similar information. I added that the first thing to be done was for the United States and Brazil to agree as to procedure and then they could communicate with their neighbors.

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[33] Fernando Lobo, Minister Counselor of the Brazilian Embassy.
[34] Oswaldo Aranha, Brazilian Minister for Foreign Affairs.
[35] John F. Simmons, Counselor of Embassy in Brazil.

824.00/1754

Memorandum of Conversation, by the Deputy Director of the Office of American Republic Affairs (Bonsal)

[WASHINGTON,] January 19, 1944.

Participants: Señor Fernando Iturralde, Special Representative of the Bolivian Junta
Señor Carlos Dorado, Counselor of the Bolivian Embassy
Mr. Bonsal, ARA
Mr. Lyon, WCA [36]

Señor Fernando Iturralde, Special Representative of the Bolivian Junta, called this morning accompanied by Sr. Carlos Dorado, Counselor of the Bolivian Embassy. He said that he had just arrived a few days ago in the United States, having come here for the purpose of clarifying the position of the Bolivian Government. He said that he quite understood the desire of the United States at this time to make a thorough investigation before recognizing the Junta. However, he said that he wished to point out that in international affairs the Junta was on the side of the United Nations. The real purpose of the Junta was the internal situation in Bolivia. It had been decided some time ago that the government of President Peñaranda must go as it was not the proper one for Bolivia. Moreover, while paying lip service to the cause of the United Nations the government of General Peñaranda was at heart pro-Nazi. This is proven by the fact that it took no action against Japanese penetration, and the question of taking over Axis-controlled firms was exploited for the benefit of a small group in which the family of Señor Peñaranda played a prominent part. Moreover, the Peñaranda Government had never implemented the recommendation of the Magruder Commission.[37] Señor Iturralde felt that if the Department had received proper information in the past it would have no reason to suspect the present Junta and even now when it has investigated all circumstances it certainly will find no reason not to recognize.

On the other hand the Junta has taken strong measures against the Japanese, who control all the small shops with which the miners deal, has taken favorable action in favor of the Jews, intends fulfilling all obligations in regard to continental defense, and will continue to support the cause of the United Nations.

Señor Iturralde said that the present Junta represents a whole generation of Bolivians, the young men who are disgusted with political graft and wish to aid the exploited miners and generally put their

[36] Cecil B. Lyon, Assistant Chief, Division of West Coast Affairs.

[37] For correspondence on this Commission, see *Foreign Relations*, 1943, vol. v, pp. 607 ff.

country in order. It represents no one group but all parties ranging from the Conservative to the extreme Left. It is absurd to call it pro-Nazi, it is pro-Bolivian, nothing else. Señor Iturralde said that he understood that certain importance was given to the fact that Señor Paz Estenssoro had been in Argentina some months prior to the revolution, reportedly plotting. This was also absurd; Señor Paz Estenssoro had close connections with intellectual circles in Argentina. He had been invited to go to Argentina many months before; his going was no secret; it had been announced in the press in both countries and the program of his reception and entertainment was also given wide publicity. Señor Iturralde states that no one has more influence amongst the young liberal elements in Bolivia than Señor Paz Estenssoro; a whole generation looks to him for leadership. It is true that he has frequently criticized the government's war policy but the emphasis of the criticism was on the manner in which this policy was conducted rather than on the policy itself. The former Government, however, used the international situation for internal politics. Everyone who was against the government or criticized it was labeled Nazi. The slaughtering of the laborers at Catavi [38] by the government was even so twisted as to make it appear that it was action against the Nazis. Señor Iturralde emphasized the fact that while delaying recognition we were creating a feeling against us in Bolivia. He stated that he quite understood the necessity of thorough investigation. However, the simple Bolivian worker does not understand this. There is all sorts of talk of exchange of information between the Americas, rumors fly about that the United States is going to bring Peñaranda back into office and this in turn creates an unfavorable feeling against us.

I told Señor Iturralde that I was very grateful for his explanations and that I would be pleased to inform the Secretary of what he said and that while I was not in a position to speak officially, I could say there had always been a very warm friendship in this country for Bolivia and that this friendship and interest in Bolivian progress had been demonstrated by both the Bohan [39] and Magruder Missions; that we were now fighting a war, a war which meant life or death, and naturally continental security was of principal importance; our enemies were very able and apt to use various elements and influences.

Señor Iturralde stated that he appreciated this and again repeated his arguments about the revolution being merely a simple movement which had for its aim the improvement of the lot of the workers, the

[38] In December 1942, a strike in the Patiño mines at Catavi led to violence and the death of a number of strikers, for which the Government was blamed.

[39] Merwin L. Bohan, Chief of United States Economic Mission to Bolivia. For correspondence on the Mission, see *Foreign Relations*, 1942, vol. v, pp. 592 ff.

building of hospitals, roads, etc., but which had been linked up by its opponents with international affairs with which it had no connection.

I then said I would like to ask a question, perhaps indiscreet, and one which perhaps I ought not to ask, and that was whether or not in the past certain members of the Junta had been pro-democratic in sympathy. Señor Iturralde claimed that they had been but that their views had been misrepresented by the former government which, as he had said above, always labeled its opponents as Nazis. He said that the Junta was striving for a Bolivian democracy. They do not aspire for a democracy such as we have in the United States; that would be hoping for too much. A United States miner would be considered a small capitalist in Bolivia, but they did want to progress toward fair and decent treatment of the long oppressed miners.

PHILIP W. BONSAL

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710 Consultation 3A/597 : Telegram

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

MEXICO CITY, January 19, 1944—7 p. m.
[Received January 19—7 p. m.]

92. The Bolivian question was discussed at some length with Dr. Padilla today.

He said that he thoroughly understood the position of the Secretary on this matter and that in his opinion there was no real divergence of views. He did not comment, however, on the information I furnished in accordance with the Department's instructions although he admitted that unless all the countries were represented at the meeting envisaged by the Mexican initiative, success of that meeting could not be expected. Padilla then proceeded to outline his views to the effect that international law was in the making particularly in this hemisphere and that very important legal bases could be laid down by the meeting proposed, if it were held. He said that his only thought was to prevent a repetition of the situation which had developed in the Argentine; he did not say this in so many words, although he did specifically refer to Argentina but the inference was plain that he was unhappy over the way the Argentine situation had developed and that he feared the consequences if there were not soon some united action.

I am confident from what he said and from his attitude that he will continue to cooperate with us in every way but I gather from his statements that he is still hopeful that the meeting will be held and believes that it affords the best way to deal with the Bolivian problem.

BURSLEY

824.01/543 : Airgram

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

LA PAZ, January 21, 1944—5 p. m.
[Received February 2—1 p. m.]

A–12. Reference to Department's telegrams No. 1452 of December 21, 7 p. m. 1943, and No. 1479, December 28, 1943, 10 p. m.[40] It is respectfully requested that the Department clarify the following points in regard to the visa procedure:

1. Is this office authorized to grant temporary visitors' visas, students' visas and Immigration visas to applicants bearing travel documents issued by the Bolivian Junta, provided no visa or other inscription is placed in a Junta passport itself, which would serve as an identification document only, and provided the Embassy and Consulate are satisfied that the applicants are not currently involved in political activities in Bolivia? Or does the Department desire each case referred to it for approval?
2. If visas are granted to persons bearing travel documents issued by the present Government, are affidavits in lieu of passports required or is it sufficient to visa forms 255, 256 or 257?
3. It is assumed that the Department has no objection to the issuance of visas in the regular manner to persons who hold valid passports from the previous Bolivian Government (bearing no stamps or marks by Junta Officials) provided the Embassy and Consulate are satisfied that the applicants are not currently involved in political activities in Bolivia?

BOAL

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710 Consultation 3A/597 : Telegram

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

WASHINGTON, January 21, 1944—10 p. m.

153. The Department was gratified to receive your telegram no. 92 of January 19, 7 p. m. indicating that Padilla understood our position and is prepared to continue cooperating with us. We have now been informed that the various American governments, as a result of the information which has been exchanged concerning the forces which brought into being the Bolivian Junta, have decided not to recognize the present Junta and some of them will probably issue statements setting forth their views. We too have reached a similar conclusion and, although we continue in our sympathy with and support of the Mexican formula, which we think will serve as an excellent vehicle for studying any changes which may occur in the situation in the future, we are nevertheless convinced that the time has come when we must make a declaration as to our intentions and the reasons which

[40] Neither printed.

prompted them. Consequently the Secretary has decided to make an official statement on Monday, January 24.

[Here follows a summary of the statement, printed in full in circular telegram of January 24, below.]

Please convey to Señor Padilla my deep appreciation for the cooperative and helpful attitude which both he and the Mexican Government have displayed throughout this complicated and difficult situation and tell him that I hope that it will be possible for Mexico to go along with us on this.

HULL

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123 B 632/602 : Circular telegram

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

WASHINGTON, January 22, 1944—8 p. m.

Ambassador Boal has been instructed to return to the United States as soon as possible after my statement on the Bolivian question.[41]

HULL

824.01/426g : Circular telegram

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

WASHINGTON, January 24, 1944.

The following statement has just been given to the press:

"This Government has been aware that subversive groups hostile to the Allied cause have been plotting disturbances against the American Governments cooperating in defense of the Hemisphere against Axis aggression.

On December 20, 1943 the Bolivian Government was overthrown by force under circumstances linking this action with the subversive groups above mentioned.

The most important and urgent question arising from this development in Bolivia is the fact that this is but one act committed by a general subversive movement having for its purpose steadily expanding activities on the continent. These developments, viewed in the light of the information the American Republics have been exchanging among themselves, dispose negatively of the matter of this Government's recognizing the present revolutionary Junta at La Paz.

The inter-American system built up over the past 10 years has had for one of its purposes the defending of the sovereign Republics of the Hemisphere against aggression or intervention in their domestic affairs by influences operating outside the hemisphere and outside their individual frontiers. This Government is confident that the

[41] See *infra*.

freedom-loving people of the American Republics, including those of Bolivia, who have the good will of the Government and people of the United States, will understand that this decision is taken in furtherance of the aforesaid purpose."

HULL

824.01/415 : Telegram

The Ambassador in the United Kingdom (Winant) to the Secretary of State

LONDON, January 25, 1944.
[Received January 25—3 : 05 p. m.]

666. Following is the text of the statement made by Mr. Eden [42] in the House of Commons this morning in reply to a question concerning Bolivia:

"On December 20, 1943 the Bolivian Government, under General Peñaranda, which had declared war on Germany and signed the United Nations declarations some months previously, was overthrown by force, and replaced by a revolutionary Junta. Information which is available to us indicates that this development was connected with activities of subversive groups hostile to the cause of the United Nations, which are at work in the Western Hemisphere. His Majesty's Government have been in the closest consultation on this subject with the United States Government. His Majesty's Government in the United Kingdom do not recognize the Junta as the legal government of Bolivia. His Majesty's Minister [43] designated to La Paz will not therefore now proceed to take up his post.

The Governments of the United States, Brazil, Costa Rica, Cuba, Uruguay and Venezuela have all declared officially that they do not recognize the revolutionary Junta at La Paz."

A member asked if British Government would take not only diplomatic action, but same economic action as United States towards Bolivia. Mr. Eden replied: "If you will look at the answer, you will see we are in step with the United States Government". Asked by another member if there was Fascist infiltration through the German Embassy in Spain, and whether he would "find out what was being done not merely in Bolivia but in other parts, including Uruguay and Brazil", Mr. Eden said: "There are no German Embassies in Uruguay or Brazil, but there is a German Embassy in South America. I hope one day we shall see that go. When that happens I think the position will improve". Answering an inquiry as to whether the Falangists were active in all South American countries, Foreign Secretary said he believed these activities were being organized in the main by German agents.

WINANT

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[42] Anthony Eden, British Secretary of State for Foreign Affairs.
[43] Thomas Ifor Rees.

824.01/441 : Telegram

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

LA PAZ, January 26, 1944.
[Received January 26—5 : 37 p. m.]

328. The La Paz newspapers have reported that the Minister of Foreign Affairs [44] of the Junta sent the following message on January 25th to Bolivian Consuls abroad:

(Translation) "Señor Consul, in view of the negative and unfriendly attitude not of the peoples of America but of the Chancelleries with respect to the new Bolivian Government, please give the greatest publicity to the following circular communiqué:

" 'First, no word or act outside of the Republic of Bolivia will be able to affect in the least the conduct of the Government which is frankly directed to conduct the nation in the democratic path of its tradition and of its constitutional law.

" 'Second, with respect to the conditions of war in the world, the Bolivian Government and people have no other nor will they need any other standards than those set forth in the continental pacts which in synthesis impose on the associated nations the obligation of contributing to the defense of the democratic liberty of the continent in opposition to any threat to [*of?*] its destruction. Signed Tamayo, Min Relaciones.' "

BOAL

824.01/445 : Telegram

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

LA PAZ, January 26, 1944—6 p. m.
[Received January 26—4 : 46 a. m.]

333. Andrade [45] told a member of the Legal Attaché's office the following:

1. The Junta is prepared to do anything to stay in power, believing that when the truth is known recognition will follow.

2. Nonrecognition may be a good thing for Bolivia in the long run if it forces Bolivians to rely on themselves and develop other resources than tin. The suffering will be good for the character of Bolivian people.

3. Bolivia's rubber, tin and quinine will be sold to the United States as before if the United States still wishes to buy.

4. Junta will attempt to remain friendly with United Nations rather than turn abruptly toward Argentina. With patience Junta will await recognition.

5. Some Junta members are still attempting to remove Céspedes [46] and Montenegro [47] but early action appears unlikely.

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[44] José Tamayo.
[45] Victor Andrade, Minister of Labor.
[46] Augusto de Céspedes, Secretary General of the Junta.
[47] Carlos Montenegro, Minister of Agriculture.

6. Junta will not call elections until election laws are changed to increase electorate from 1,000 to approximately 400,000 of total population.

BOAL

824.01/467 : Telegram

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

BUENOS AIRES, January 28, 1944—noon.
[Received 2: 07 p. m.]

247. Bolivian Ambassador [48] tells me Gilbert [49] has indicated to him following attitude regarding Bolivian situation. Argentina is only country having official relations with Junta; they are therefore in position to act as intermediaries in attempting to bring about changes in Junta that will meet with approval of other American Governments. He has been discussing matter with Martín Gras [50] and before latter's return to La Paz about February 10 Gilbert plans to talk with British, Brazilian, Chilean Ambassadors and myself hoping to ascertain from us line-up in Bolivia that would have our approval and secure recognition. Gras would then be instructed to endeavor to secure those changes. Costa du Rels quotes Gilbert as saying Argentina is now a member of Allied bloc, so is Bolivia, but not the Government with its present line-up. "We must do everything to bring them in". Costa felt this information might be useful to enable me to learn Department's views before Gilbert approaches me.

Repeated to Montevideo as of possible interest in connection with Spaeth's [51] message to Duggan transmitted [in] Dawson's [52] telegram 119, January 27, 1 p. m.[53]

ARMOUR

824.01/502b : Circular telegram

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

WASHINGTON, January 28, 1944—10 p. m.

All of the nineteen republics participating in the consultations and exchange of information regarding the Bolivian revolution have refused recognition to the Junta in public statements. In the space of

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[48] Adolfo Costa du Rels.
[49] Gen. Alberto Gilbert, Argentine Minister for Foreign Affairs.
[50] Argentine Ambassador in Bolivia.
[51] Carl Spaeth, American member, Emergency Advisory Committee for Political Defense.
[52] William Dawson, American Ambassador in Uruguay.
[53] Not printed.

a little over one month, therefore, all those countries succeeded in disposing of an emergent, important, and common problem in complete harmony.

The Department views this remarkable result as a timely tribute to the solidarity of those republics and to the wisdom and vitality of the consultative procedure to which they subscribe. The Department expresses to you its appreciation of your contribution to this achievement, and authorizes you, at such time and in such fashion as you deem best, to convey similar sentiments on behalf of this Government to the Government to which you are accredited.

HULL

824.01/582

Memorandum of Conversation, by Mr. James H. Wright, Assistant to the Director of the Office of American Republic Affairs (Duggan)

[WASHINGTON,] January 28, 1944.

Señor Iturralde called at Mr. Duggan's request. Mr. Duggan told Señor Iturralde that he was sorry to have to ask him to come in on such short notice, but that he wanted on an urgent basis to take up with him certain foreign exchange movements between the Bolivian Central Bank and the Argentine Central Bank which were a source of great concern to this Government. Mr. Duggan recalled how after careful consideration the Peñaranda Government had limited the number of items which Axis firms in Bolivia could import to six commodities which could be purchased more easily and on better terms in Argentina than elsewhere. The Bolivian and United States Governments had for over a year been working diligently on a plan to control Axis firms in Bolivia looking to the eventual replacement of these Axis firms by Bolivian concerns. The limitations placed on imports of Axis firms was a part of this plan. This Government had been distressed to learn that the Minister of Finance had issued an instruction to the Bolivian Central Bank which radically altered the previous arrangement. Under the new instruction the Central Bank would make available to Axis firms foreign exchange and would discount drafts and bills of exchange for importation of "articles of prime necessity". This definition was so loose that it threw the bars completely down and Axis firms could now trade freely. This was substantiated by the fact that over a period of three days the Central Bank of Bolivia had transferred to the Argentine Central Bank New York funds to the amount of $600,000. Mr. Duggan said that these large transfers were a source of much concern and that if further transfers occurred this Government would be forced carefully to review the situation to determine whether it might not be necessary to prevent

the transfer from the United States of further funds. Mr. Duggan made it clear that we were fighting the Axis wherever we found them and that we would like to see each and every Axis firm suppressed and wound up. It was not a matter of denying Bolivia necessary commodities and this was proved by the fact that the previous arrangement enabling the importation of six items had been considered by the Bolivian Government to be fully satisfactory.

Sr. Iturralde said that he had no knowledge at all of the subject matter but that he would immediately communicate with La Paz and hoped to give Mr. Duggan an answer by the following day. Although he could not be sure he speculated that these transfers might well have been made to Argentina for the importation of additional food stuffs for distribution by the Agency of Public Entities to poor segments of the Bolivian population. He said that the revolutionary junta was much concerned over the welfare of down-trodden elements in Bolivia who scarcely had enough to eat and that it was their intention to import substantial quantities of food stuffs and other prime necessities to break speculation rings and put into public consumption greater amounts of necessities at reasonable prices.

The interview was on the point of terminating when Sr. Iturralde said that before leaving there were a few general matters which he would like very much to take up. He had about completed his mission in Washington and was on the point of returning to La Paz. While he was here he had been able to learn almost nothing on what we might want the Bolivian Government to do as a prerequisite to recognition. He said that he could not go back to La Paz without some answers to these questions. He wondered if Mr. Duggan could not enlighten him on this score so that he would be in a position upon his return to Bolivia to report accurately and to assist in breaking the deadlock. He held forth at great length on the sincerity, patriotism and altruistic motives of the revolutionary junta, indicating unequivocally that he was personally convinced on all points. He could not understand our attitude and was most anxious to know what the junta could do to get in our good graces.

Mr. Duggan told him that it would be neither dignified nor proper for this Government in any way to endeavor to tell Bolivia what it should do in connection with its own Government. He was sure that neither Sr. Iturralde nor Bolivia as a whole would wish this. We would not enter into a discussion with them of who was good or who was bad and put ourselves in a position of saying that if Bolivia would do thus and so we would do this or that. Suffice to say that this Government was convinced from information which it was fully satisfied was accurate that the revolutionary junta as it now stood contained elements which were wholly inacceptable and whose Axis taint was such that their continued presence precluded recognition

by this Government and that so long as these elements remained there would be no recognition. Mr. Duggan made it clear that the friendship of the United States for the Bolivian nation and people had altered in no way. This had been a real friendship and Mr. Duggan reviewed for him, giving numerous examples of cooperation, the policies which we have followed in recent years. He cited specifically the Magruder mission, the Bohan economic mission and the subsequent creation of the Development Corporation, the health and sanitation program,[54] the program for the replacement of Axis firms[55] which would be carried forward by Bolivian interests with our financial and technical help, and other important items of cooperation. The United States felt that its best security and the security of the hemisphere lay in well-fed, self-sustaining and contented republics and we had worked only for that in Bolivia. All of our efforts had been directed to the best possible security and stability for the country and its people who fully understood the situation and were sympathetic. Bolivia must best know what elements in the revolutionary junta were undesirable and it was up to Bolivia to work out its own situation and not up to the United States to tell Bolivia what to do.

Sr. Iturralde answered by reiterating a good part of what he had already said and pressing again for concrete suggestions. Mr. Duggan politely but firmly told him that the case was as he had stated it and that we would not assume the undignified and dangerous position of meddling into Bolivia's local politics. He did reiterate that there were the undesirable elements mentioned and that Bolivia should know the solution.

Sr. Iturralde, who like Banquo's ghost would not be downed, continued to press. He said that now that Argentina had broken relations with the Axis,[56] would that not place Bolivia in a different light? Mr. Duggan said that he could see what Sr. Iturralde was driving at but that the answer was "no". Sr. Iturralde tried to convey the impression that now that Argentina had broken relations with the Axis it per se became a bosom friend of the United States. Mr. Duggan discreetly said that Argentina had taken this first and important step but that there was still a long road to travel in implementing inter-American commitments which would put Argentina on a level with the other Governments.

Sr. Iturralde thanked Mr. Duggan for the frank way in which he had spoken and said that he would think the matter over carefully.

JAMES H. WRIGHT

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[54] For text of the agreement between the United States and Bolivia providing for a health and sanitation program, signed at La Paz, July 15 and 16, 1942, see Department of State Executive Agreement Series No. 300, or 56 Stat. (pt. 2) 1864.

[55] See *Foreign Relations*, 1943, vol. v, pp. 578 ff.

[56] See pp. 228 ff.

824.01/467 : Telegram

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

WASHINGTON, February 2, 1944—8 p. m.

194. If Gilbert approaches you on the question raised in your telegram 247, January 28, noon, please tell him very clearly that this Government, in accordance with its inter-American commitments including the nonintervention protocol of Buenos Aires,[57] has scrupulously refrained from interfering in the internal policies of other countries. This Government, therefore, will refrain from giving any specific indication as to the changes necessary in the Bolivian Junta in order to secure our recognition.

For your information only, reports received indicate that there are many persons within and without the present Junta at La Paz who realize the Junta's shortcomings. Changes in the Junta's setup, therefore, appear not unlikely.

HULL

824.01/515 : Telegram

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

WASHINGTON, February 2, 1944—8 p. m.

164. Reference is made to your 392 of February 1.[58] The Department perceives no reason why you should avoid an informal, unofficial meeting with Villarroel but make no commitments.

HULL

824.01/627

The Director of the Office of American Republic Affairs (Duggan) to the Coordinator of Inter-American Affairs (Rockefeller)

WASHINGTON, February 3, 1944.

DEAR NELSON: You will recall that at last Thursday's meeting you requested the Department's guidance with regard to the conduct of activity by the CIAA [59] in Bolivia that is carried on in cooperation with the Bolivian Government in view of the decision of this Government not to recognize the present revolutionary Junta in La Paz.

It is the Department's view that the CIAA participation in the Servicio in the Ministry of Public Health should be continued. The Department believes that Mr. Dehlsen should remain in Bolivia for

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[57] See *Report of the Delegation of the United States of America to the Inter-American Conference for the Maintenance of Peace, Buenos Aires, Argentina, December 1–23, 1936* (Washington, Government Printing Office, 1937), pp. 127–128.

[58] Not printed.

[59] Coordinator of Inter-American Affairs.

the time being in his present capacity as Special Adviser to the United States Embassy. The Department is not informed that the CIAA is carrying on a food program in Bolivia. It is felt that no new projects or expansion of old projects should be undertaken for the time being.

Sincerely yours, LAURENCE DUGGAN

824.01/562 : Circular telegram

The Secretary of State to Certain Diplomatic Representatives in the American Republics [60]

WASHINGTON, February 5, 1944—4 p. m.

All of the American Republics with the exception of Argentina have officially proclaimed their intention of withholding recognition of the Bolivian Junta. It is believed that this fact combined with the Argentine decision to break relations with the Axis powers may result in further developments in the Bolivian situation. I have always felt that the Mexican proposal for a meeting of the diplomatic representatives in one of the South American capitals under the leadership of the Foreign Minister of the country selected had intrinsic merit and I feel that this procedure might now be adopted in the event of any important changes in the actual situation at La Paz. I am pondering as to where such a conference might be held most advantageously. For this reason I would welcome an expression of your personal views as to the effectiveness of holding such a meeting in the country to which you are accredited. In making your appraisal, please give particular thought to these aspects of the situation in the country where you reside: the ability of its Foreign Minister to conduct such a conference, whether it would be convenient for him to do so, how many of the other American Republics are represented there, whether the representatives of the American republics accredited are such as to engender hope of a successful conference, and what in your opinion are the possibilities of a meeting of this character attaining the objectives desired, if held there or anywhere.

It is my understanding that the meeting of diplomatic representatives under the chairmanship of a Foreign Minister as proposed by Padilla represents merely an alternative method of exchanging information and views. In the case of the Bolivian Revolution of December 20, this exchange was handled through diplomatic channels and the governments then reached their decisions independently and fortunately, but only incidentally, in harmony. In other words, each

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[60] Sent to Brazil, Chile, Colombia, Cuba, Mexico, Peru, and Venezuela.

government's sovereign right to reach its own decision was scrupulously respected in the procedure followed. The proposed meeting would also limit itself to exchange of information and views; it would reach no conclusions and it would publish no statements. After the meeting each representative would report independently to his government which in turn would make its final decision.

HULL

824.01/2-944

Memorandum of Conversation, by the Director of the Office of American Republic Affairs (Duggan)

[WASHINGTON,] February 9, 1944.

Señor Iturralde came in at his request. He said that under instructions he wanted to reiterate the intention of his government to collaborate with the democracies and to cooperate with the United States particularly with regard to all matters connected with the war.

Señor Iturralde requested a copy of the memorandum [61] circulated to the other American republics. I told him that it would not be possible to give him a copy of that document.

Señor Iturralde said that his government very much hoped that shipments of armaments under the Lend-Lease agreement would be continued. I told Señor Iturralde very frankly that there would be no further Lend-Lease shipments as long as there was an unrecognized Bolivian Government. I then went on to say that the longer there was an unrecognized Bolivian Government the more difficult would become relations between the two countries. There were all sorts of problems which we would have to review and go into thoroughly if the present situation continued.

824.01/587 : Telegram

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

LA PAZ, February 10, 1944—10 p. m.
[Received February 11—9 : 52 a. m.]

459. I have now learned definitely that the expropriation decree (see my telegram 448 [62]) was signed on February 9, by the entire Junta including Taborga, Céspedes and Montenegro and that it will probably be announced in the afternoon February 11 for publication

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[61] For a summary of the memorandum, see circular telegram dated January 10, 10 p. m., p. 430.

[62] Dated February 8, 9 p. m.; it reported that the decree included all commercial and industrial organizations related to the Axis (824.01/575).

the next morning. The reason for its secrecy so far is said to be to permit preparation of appropriate controls.

The signature on February 9th was evidently before advising the excepted Junta members who did not wish to be branded as opposed to the decree by its signature after their resignations had been accepted. To strengthen the regulations under the decree they will be issued by the reorganized Junta.

[Here follows a report on expected personnel changes in the Junta.]

WOODWARD

824.01/653

Memorandum of Conversation, by the Deputy Director of the Office of American Republic Affairs (Bonsal)

[WASHINGTON,] February 11, 1944.

I told Mr. Messersmith,[63] referring to the matter which we discussed this morning (the question of the possibility of calling a conference in some American capital to discuss, in accordance with Padilla's suggestion, any new developments in the Bolivian situation) that we had explored the situation here and that it was the feeling of our representatives abroad whose opinions we had solicited that it would be wiser to hold this suggestion in reserve and to proceed along the lines which we had followed to date. However, we did definitely intend to hold the other possibility for any future emergency. Mr. Messersmith asked if there had been any new developments from down South. I replied that there apparently had been some delay in the events which had been expected (change of certain Bolivian Cabinet Ministers). Mr. Messersmith concluded by saying that he understood that it was our intention to hold in reserve the proposal which we had discussed. I said that was correct.

PHILIP W. BONSAL

824.01/543 : Airgram

The Acting Secretary of State to the Chargé in Bolivia (Woodward)

WASHINGTON, February 14, 1944—11 : 50 a. m.

A–47. Your 12, January 21, 1944, 5 p. m.

1. You are authorized to grant visas to qualified applicants holding travel documents issued by the Bolivian Junta which serve as identification documents only provided applicants are not currently in-

[63] George S. Messersmith, Ambassador to Mexico.

volved in political activities in Bolivia and their entry into the United States is not considered prejudicial to the public safety. It is not necessary to refer to the Department cases exempted from the Interdepartmental Visa Review Procedure such as native citizens of Western Hemisphere countries, unless reference to the Department is considered by you desirable in individual cases.

2. Applicants should be in possession of travel documents or affidavits in lieu of passports and in addition visas on Forms 255, 256 or 257.

3. There is no objection to the issuance of visas to qualified applicants holding valid passports from the previous Bolivian Government (bearing no stamps or marks by Junta officers) provided you are satisfied that the applicants are not currently involved in political activities in Bolivia and that their entry into the United States would not be prejudicial to the public safety.

STETTINIUS

824.01/655a : Circular telegram

The Acting Secretary of State to Certain Diplomatic Representatives in the American Republics [64]

WASHINGTON, February 17, 1944—9 p. m.

For your confidential information the Department is not greatly impressed with the recent changes which have been announced in the Junta at La Paz, namely the inclusion in the Cabinet of Messrs. Pacheco,[65] Otazo [66] and Guevara,[67] and it is not felt that these shifts have materially altered the character of the Junta which we announced on January 24 we did not intend to recognize for the present. The Department would be pleased to receive any pertinent information which you may have in regard to the opinions of the Government to which you are accredited on this matter.

However, it is not deemed advisable for you to gratuitously offer to the Foreign Minister the information contained in the first paragraph of this telegram but it is for your guidance in case he should approach you on the subject.

STETTINIUS

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[64] Sent to Chile, Peru, Paraguay, Mexico, Brazil, Cuba, Colombia, and Venezuela.

[65] Lt. Col. Alfredo Pacheco, newly designated Minister of Government.

[66] Rafael Otazo, appointed Minister of Agriculture, February 11, 1944.

[67] Walter Guevara Arze, Secretary General of the Junta.

824.01/761a : Circular airgram

The Secretary of State to Certain Diplomatic Representatives in the American Republics [68]

WASHINGTON, March 25, 1944—7 p. m.

The following information has been received from the Embassy at La Paz:

The Bolivian Junta which has been recognized only by Argentina has now published a decree calling for the election of deputies and senators on July 2 who will sit August 1 as a constitutional convention. As such they will elect a President and Vice President. The Convention will also consider proposed reforms to the Constitution. This completed, they will assume their constitutional legislative functions beginning August 6.

The decree grants amnesty to political offenders and recognizes the liberty of the press. Office holders under the present regime must resign their positions 60 days before the elections if they are to run for deputy or senator. It is understood that some members of the present Junta will resign.

The above is for your background and discussion if the question is raised by your colleagues or officials of the Governments to which you are accredited. While the replacement of the Junta members may be the occasion for a further exchange of views among the American Republics concerning recognition, the Department intends taking no action before communicating with you.

HULL

824.00/1930 : Telegram

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

WASHINGTON, March 28, 1944—6 p. m.

361. From Ambassador Boal.[69] Your 697, March 20.[70] Is Junta's decree convoking elections based on constitutional grounds? If so, please cite pertinent passages of Constitution. Has Junta declared adherence to Constitution? If so, which one? [Boal.]

HULL

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[68] Sent to Costa Rica, Cuba, Dominican Republic, El Salvador, Guatemala, Haiti, Honduras, Mexico, Nicaragua, and Panama. Sent also on the same date at 9 p. m. to the diplomatic representatives in the South American countries except Bolivia.

[69] Temporarily in Washington.

[70] Not printed.

824.00/1974 : Telegram

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

LA PAZ, March 29, 1944—7 p. m.
[Received March 30—12 : 18 a. m.]

763. Reference Department's 361, March 28, 6 p. m. In response to question 1 the Junta's decree convoking elections for a Constitutional Convention is not based on any specific provision in any Bolivian Constitution although all Bolivian Constitutions have convoked contemplated elections. In order to give this matter proper perspective it should be mentioned that this executive decree calling for elections for a Constitutional Convention is more firmly a part of Bolivian political tradition than any constitution. Since the promulgation of the first Bolivian Constitution on November 19, 1826 which was presented personally by Bolívar there have been 12 complete new Constitutions but there have been a great many more Constitutional Conventions. These Conventions have either issued a new Constitution or have confirmed or modified the most recent Constitution at the time. Election of the Bolivian President by these Conventions has been more frequent than direct election.

In response to question 2 article I of the Statute Government issued December 22, 1943 (see page 4 of memorandum enclosed with this Embassy's despatch 3163 of February 15, 1944 [71]) stated that the Constitution of 1938 was in full effect but other articles such as article V indicate the fundamental Bolivian attitude toward the written Constitution. Bolivian Governments have rarely permitted the written Constitution at the time to be an obstacle to any action they have considered expedient, for example, Peñaranda's action on April 7, 1943 in declaring that a state of war existed with the Axis Powers.

WOODWARD

824.00/3023 : Telegram

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

LA PAZ, April 27, 1944—3 p. m.
[Received 9 : 06 p. m.]

954. In the conversation reported in this Embassy's 953, April 27, 2 p. m.[72] Baldivieso [73] told me that he was very discouraged because he had become convinced that our Government is hoping for the overthrow of the Bolivian Provisional Government. He repeated this

[71] Not printed.
[72] Telegram not printed.
[73] Enrique Baldivieso, Minister for Foreign Affairs.

several times and said that was the only way he could interpret the "glacial" silence of our Government.

Baldivieso said that the most unfortunate aspect of this situation from the viewpoint of the Provisional Government is that the Bolivian people as a whole now appear to be convinced that the current [*counter?*] revolutionary plotters have the approval of the Government of the United States. He said that the Provisional Government is following very closely the development of the plans of three separate revolutionary plots and that the Provisional Government receives information almost every day that a revolutionary attempt is about to break out that day or the next. The findings of the Government indicate however that while the revolutionists would have considerable financial support and a fairly large following among the citizenry, they do not have adequate military support or military leaders.

He said that while Villarroel is following the policy of jailing key plotters from time to time in order to prevent an outbreak and bloodshed, he, Baldivieso, has been disposed to favor a relaxing of preventative measures so that there will be an outbreak which can be dealt with directly. He said that on the other hand he is sincerely afraid of a revolution under present circumstances because he fears that there might be continuous fighting for 8 or 10 days with a great deal of bloodshed amounting to civil war. He thought the fighting might be extensive because he did not think the would-be revolutionists would make an attempt until they were fairly confident of their strength but he is nevertheless sure that the determination of the young military officers at present in power and their fear of possible reprisals in the event they are defeated will impel them to make a very firm stand. Baldivieso is quite certain that the military element at present in power cannot be thrown out by force.

Baldivieso also commented to me twice that he considers there is a very real danger of this sort of "civil war" becoming contagious in nearby countries but he did not develop this thought to possible cause and effect.

WOODWARD

824.00/3057 : Telegram

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

LA PAZ, May 3, 1944—4 p. m.
[Received 7 : 24 p. m.]

994. Cuenca [74] mentioned to Ashton [75] of the British Legation that Baldivieso had stated that the Provisional Government would prob-

[74] Humberto Cuenca, Manager of the Central Bank of Bolivia.
[75] Anthony Ashton, of the British Legation in Bolivia.

ably promptly release the persons accused of plotting a revolution and raise the state of siege if the Provisional Government were to be recognized.

WOODWARD

824.01/808a : Circular telegram

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

WASHINGTON, May 3, 1944—8 p. m.

If you consider it advisable, please inform the Foreign Minister of the country to which you are accredited that at his press conference today when asked to comment on reports from Cuba that the other American Republics are preparing to recognize Bolivia soon, the Secretary stated:

"I have not information to that effect. The governments thus far have been proceeding as a unit in that respect and their action has been based primarily on considerations of carrying on the war in support of the Allied cause."

HULL

824.00/3076 : Circular telegram

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

WASHINGTON, May 6, 1944—10 p. m.

Ambassador Avra Warren, who will soon take up his post at Panama, left Washington May 4 on a special trip to La Paz where he is to arrive Sunday or Monday and will stay a few days. He is not going in any official capacity but merely to arrive at an estimate of the present situation and gather additional information regarding the present attitude and intentions of the element in power in Bolivia. Although the Department has instructed Ambassador Warren to interest himself in matters connected with the war effort, our position on recognition remains as previously stated and no change will be made regarding it without a full exchange of views with all the other American republics except Argentina.

As soon as Ambassador Warren has returned and given me his estimate of the situation, I expect to communicate further with you in the light of what he tells me in order that you may keep a continuous confidential contact on the subject with the Government to which you are accredited.

599-037—67——30

Please convey the substance of the foregoing as a confidential matter to the Foreign Minister or to the appropriate officer of the Government to which you are accredited.

HULL

824.00/3076 : Telegram

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

RIO DE JANEIRO, May 6, 1944—3 p. m.
[Received 5:36 p. m.]

1687. Department's 1434, May 5, 8 p. m.[76] Aranha asked me to come to see him this morning to see a telegram from Martins[77] reporting the departure of Ambassador Warren for La Paz. He told me also that he had heard from his Embassy at La Paz that the Bolivians were expectantly awaiting him there. Then he let go again. I shall not repeat all he said for the Department would think he was either putting on an act or was about to break relations with us. Among other things, he charged that by taking unilateral action in Bolivia, a next door neighbor of Brazil, we are destroying his prestige not only in the neighboring countries but in Brazil as well. "The only way" he observed "I can protect myself is to recognize Bolivia before Ambassador Warren gets there".

To make a long story short, I talked him out of all this, showed him the Department's telegram No. 1434 of May 5, 8 p. m.

CAFFERY

824.00/3076 : Telegram

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

WASHINGTON, May 7, 1944—1 p. m.

1449. Your telegram no. 1687, May 6, 3 p. m. I am glad you were able to convince Aranha that our action is reasonable.

Please tell him that it was largely due to his feeling that conditions in Bolivia had developed to a point where they required more attention that I sent Ambassador Warren there hoping to obtain a clearer picture of the situation so that I might discuss all phases of it with Aranha. See Department's circular of May 6, 10 p. m. Of course I had no intention of taking any action in regard to recognition without consultation with Aranha.

HULL

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[76] Not printed.
[77] Carlos Martins Pereira e Sousa, Brazilian Ambassador in the United States.

824.00/3079 : Telegram

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

LA PAZ, May 8, 1944—4 p. m.
[Received 11:40 p. m.]

1017. From Ambassador Warren. Following my arrival here on Saturday afternoon, I met with Villarroel twice on Sunday. The first meeting took place in the home of the Acting Chief of the American Military Mission [78] and was of social nature. Villarroel was accompanied by Lieutenant Colonel Pinto, Minister of National Defense in the Provisional Government. The second meeting was held in the home of Foreign Minister Baldivieso and was attended by Villarroel, Baldivieso and Villarroel's aide. I was accompanied by Woodward and Bennett.[79] General [Woo]ten, Commander of the Sixth Air Force, was present at both conversations and he saw Villarroel again this morning.

The Provisional Government regards recognition by the United States as its fundamental need at the present time and is disposed to attempt to trade deportation of Axis nationals for such recognition. I have informed members of the Government with whom I have talked that there is not the slightest possibility of any arrangement of that nature. Discussions are continuing.

There has been no publicity in Bolivia concerning my presence here. [Warren.]

WOODWARD

824.00/3080 : Telegram

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

LA PAZ, May 9, 1944—noon.
[Received 5:47 p. m.]

1020. This Embassy's 1017, May 8, 4 p. m. From Warren. I talked this morning with Foreign Minister Baldivieso on his request at his house. During our conversation Baldivieso informed me that the Provisional Government has decided to detain and expel Axis nationals from Bolivia in line with our discussions of Sunday evening. Baldivieso emphasized that this decision is based on the desire of Villarroel Government to identify itself positively with the Allied war effort and to give further evidence of its solidarity with the United States and the other American Republics. He informed me that the decision was taken by unanimous vote of the Cabinet yesterday evening and that his Government is prepared to initiate discussions immediately concerning the Axis nationals to be deported. Appropriate

[78] Col. Marion H. Hardesty.
[79] William Tapley Bennett, Economic Analyst.

members of the Embassy staff including the Legal Attaché are now in conference with Lieutenant Colonel Pacheco, Minister of Government and Justice, with respect to the persons on whom action is to be taken. Arrangements are also being made for organizing a schedule of simultaneous detention in various population centers of the country and immediate evacuation by air facilities offered by the Sixth Air Force. Brigadier General Wooten as Commander of the Sixth Air Force is working out these arrangements today with the Ministers of Defense and Government. [Warren.]

WOODWARD

824.00/3081 : Telegram

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

LA PAZ, May 9, 1944—6 p. m.
[Received 7 : 35 p. m.]

1024. From Warren. During the conversation reported in this Embassy's 1020, May 9, noon, Baldivieso expressed the earnest hope on behalf of the Bolivian Provisional Government that it would be possible for the Government of the U. S. to initiate consultation with the other American Republics with a view to reconsideration of the Bolivian recognition question as soon as the Bolivian Provisional Government had indicated conclusively that it is identified positively with the Allied war effort through the performance of the action reported in this Embassy's 1020. [Warren.]

WOODWARD

824.00/3128 : Telegram

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

RIO DE JANEIRO, May 17, 1944—4 p. m.
[Received 7 : 43 p. m.]

1809. For Duggan. My note of May 9 to you.[80] I feel constrained to let you know that Aranha has not dropped his onslaught in regard to Warren's trip to Bolivia. Every day, when he reads some of the wide-scale publicity accorded that visit, he explodes again. I had almost decided not to repeat to you what he was saying but, as he gets more angry and more violent every day in his allegations, I feel that I must let you know. He says the Department is "destroying" his prestige in South America by unilateral activities. "Why" he insists "should they send a man from Washington to investigate one of our neighboring countries and yet oppose our doing

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[80] Not found in Department files.

anything of the kind? They are playing into the Argentine's hands et cetera". He observed that I had asked him to keep the matter of removing Axis nationals from Bolivia secret and then points to articles about it in the local press under a La Paz date line.

He became more violent than ever this morning when he read an article, under a Washington date line, reporting that Bonsal is now in Chile and that "United States foreign policy with respect to Argentina and Bolivia will undoubtedly be cleared up by Mr. Philip Bonsal at Santiago et cetera et cetera".

I believe that I need not make clear to you that I struggle hard with him and up to now I have succeeded in quieting Aranha down after every one of these daily explosions.

He inquired specifically this morning if I had been passing on his comments to you and he insistently asked me this morning to do so.

CAFFERY

824.00/3132 : Telegram

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

RIO DE JANEIRO, May 18, 1944—1 p. m.
[Received 3:41 p. m.]

1812. For Duggan. My telegram 1809 of May 17, 4 p. m. The Peruvian Ambassador [81] expressed to me last evening his alleged concern in connection with the article about Bonsal. I made an appropriate reply and told him that I had telegraphed in this connection to the Department of State. He asked me to let him know what the Department says in reply.

He spoke to me also in relation to his alleged concern about the presence of Warren in Bolivia. I again made an appropriate reply.

It is, of course, possible that he has been egged on in both cases by Aranha, who continues to make, no matter what I say, derogatory alarmist allegations; among others, "You want me to help about the air bases; you want me to help in the Peruvian-Ecuadoran boundary matter; you want me to follow you *in re* Argentina and Bolivia; and yet you forget me and leave me out in the cold and step out on your own, and expect me to like it."

I again feel that I must let you know this, unpalatable as it may be.

He is threatening to send his Ambassador back to La Paz.

Also, he went so far the day before yesterday as to tell part of his story to the *New York Times* representative here but the Brazilian censor will not let the story go out.

CAFFERY

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[81] Jorge Prado, Peruvian Ambassador in Brazil.

824.00/3076 : Circular telegram

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

WASHINGTON, May 18, 1944—8 p. m.

You were informed in the Department's circular telegram of May 6, 10 p. m., that Ambassador Warren had been sent to La Paz to arrive at an estimate of the present situation and to gather additional information regarding the present attitude and intentions of the element in power in Bolivia. Please inform the Foreign Minister of the country to which you are accredited that during his visit there Ambassador Warren was informed that as an indication of its desire to cooperate with the United Nations the Provisional Government of Bolivia wished to expel from Bolivia the most dangerous Axis aliens. The Provisional Government sought the assistance of the United States to accomplish this purpose, and this Government was naturally pleased to lend its assistance and provide the necessary transportation facilities. Ambassador Warren assisted in making the necessary arrangements at La Paz and has informed the Department that the evacuées are now en route to the United States. Obviously the greatest secrecy was necessary in making these arrangements, since it was felt that any premature disclosure of the plan might serve as a warning to the aliens involved and the successful execution of the plan might be frustrated. Consequently it was deemed advisable from the point of view of continental security to withhold until now this information.

Please assure the Foreign Minister that I should have preferred to have informed him of this incident earlier had circumstances permitted. Please also assure him that the present action is not connected with the question of recognition and that our views on that subject remain as previously stated, namely that it is a question for determination by the consulting American Republics, with the exception of Argentina.

I believe that the other American Republics will be interested in knowing what Ambassador Warren has to report and as soon as he has returned to Washington and given me a report of his findings I shall communicate with you.

HULL

824.00/3170

Memorandum by the Under Secretary of State (Stettinius) to the Secretary of State

[WASHINGTON,] May 23, 1944.

Messrs. Berle,[82] Long,[83] Acheson,[84] Hackworth,[85] Duggan, Lyon,[86] Wendolyn,[87] Raynor,[88] and myself spent an hour and a half with Ambassador Warren this morning. He gave us a most comprehensive report, and I have asked him to prepare a short summary covering his survey of the Bolivian situation which will be available to you tomorrow morning.

Ambassador Warren has reached the conclusion that immediate recognition by our Government of the present Bolivian Government is the proper course to pursue.

His fundamental reasoning for this conclusion is

1. The present Bolivian Government has shown, by its acts, to be sympathetic to the Allied cause.
2. Ambassador Warren believes that the present Bolivian Government is sufficiently in control of the situation in that country to warrant our taking the risk of recognition from that point of view.

E[DWARD] S[TETTINIUS]

824.01/861 : Telegram

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

LA PAZ, June 1, 1944—4 p. m.
[Received 8:58 p. m.]

1160. Villarroel informed an officer of our Government that the Argentine Ambassador [89] is departing from Bolivia on June 2 as a gesture of protest concerning his course [*sic*] to receive any cooperation from the Bolivian Provisional Government. Villarroel is deeply concerned that this gesture may be followed by economic sanctions which may obstruct the Argentine supply of foodstuffs from Argentina. He said that the Ambassador had indicated that since Bolivia would not provide quinine, tin or additional rubber to Argentina, the Argentine Government might soon establish a system of compensated trade with Bolivia so that shipments of foodstuffs to Bolivia would be limited to the value of Bolivian exports to Argentina.

While I doubt that Argentine exporters would sacrifice any business in Bolivia, the Bolivian authorities do seem to be sincerely

[82] Adolf A. Berle, Jr., Assistant Secretary of State.
[83] Breckinridge Long, Assistant Secretary of State.
[84] Dean Acheson, Assistant Secretary of State.
[85] Green H. Hackworth, Legal Adviser.
[86] Cecil B. Lyon, Acting Chief, Division of West Coast Affairs.
[87] Eric C. Wendelin, Acting Chief, Division of River Plate Affairs.
[88] Hayden Raynor, Assistant to the Under Secretary of State.
[89] Gen. Martín Gras.

worried about these threats particularly when they involve alienating the favor of the only government which has recognized the Bolivian Government.

WOODWARD

824.00/3203 : Telegram

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

LA PAZ, June 2, 1944—5 p. m.
[Received 11:55 p. m.]

1165. At his request I talked with Baldivieso on June 1. He said the Cabinet had just gone over the lists of candidates for the elections and that he could tell me definitely that unless there is some very serious upset in the plans of the Provisional Government the maximum number of seats that will be obtained by the MNR in the Constitutional Convention will be 18 (out of 137). He said the Government plans to run its own "independent" candidates against the MNR candidates and the figure of 18 maximum is based on a careful estimate of relative election strength. (José Cuadros principal author of the MNR platform who has been a dissident MNR member in recent months told me at an accidental encounter on June 1 that he would bet me that not more than 20 seats are obtained by the MNR the way things are now going). Baldivieso expressed serious concern lest the election plans of the Government should receive a serious upset by a slowing down of the present trend toward recognition so that it would not come until after elections. (Obviously our Government cannot now be neutral in the elections since recognition before July 2 will definitely assist the Provisional Government while recognition after July 2 will now actively express disapproval of the Provisional Government and in this particular disapproval of them locally for having done everything possible to cooperate in the war effort and with the United States. Villarroel will probably be elected President even though we do not recognize him before elections, although with more difficulty and less prestige, and we would unquestionably receive much less spontaneous and effective cooperation from the elected government if we were to oppose it in the elections).

Baldivieso said that the MNR is conducting a whispering campaign labeling the Provisional Government as dunces for giving such cooperation as the deportation of Axis nationals without being accepted as a recognized government (as the Department knows the German businessmen have not been popularly considered in Bolivia to constitute a danger but rather as accepted members of the community and the deportation on May 18 had almost no popular support).

Baldivieso commented that press censorship has been entirely eliminated with the exception of censorship of International News des-

patches leaving Bolivia. (Since all foreign press correspondents in La Paz are Bolivian citizens they of course have local political views of their own and are employees of local newspaper owners).

Baldivieso mentioned also that he believes general political amnesty of alleged plotters would probably soon be granted.

In the course of the conversation I commented that I had heard the Argentine Ambassador was leaving. Baldivieso said that Ambassador Gras will probably not return; that he seemed to be very incontestably "disgustado" because he asserted he had received absolutely no cooperation from the Bolivian authorities (my telegram 1160, June 1, 4 p. m.).

WOODWARD

824.00/3225b : Telegram

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

WASHINGTON, June 2, 1944—midnight.

1695. With reference to my telegram 1620, May 2, 8 p. m.,[90] I am summarizing the essence of Ambassador Warren's report on Bolivia.[91] Although the report is today being sent to all Missions in the other American Republics and the Emergency Advisory Committee for Political Defense by courier, I am anxious that this summary reach Aranha at the first opportunity and that you telegraph me any information, suggestions or comments he offers. I am also handing Warren's report to the Chiefs of Mission of the American Republics in Washington (exception being made of Bolivia and Argentina).

I wish you would mention to Aranha that I have received his letter of May 17,[92] to which I am giving the closest attention. On first reading, it seems to me there is no essential difference between his views toward the Bolivian situation and my own. At the very first opportunity, I shall give my attention to replying to Aranha's most interesting observations.

Please remind Aranha of the difficulties of briefly summarizing Warren's report and indicate that he will probably wish to consider details of the full report upon arrival.

The summary follows:

The original Junta was composed of eight leading members of the MNR and five young military officers. This was a marriage of convenience, which led to an immediate bill of divorcement when it became apparent that the pro-Nazi record of the MNR leaders made recognition by the other American republics impossible. There is now no MNR official in any position of prominence in Bolivia.

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[90] *Post*, p. 580.

[91] Not printed; the text was transmitted to the diplomatic representatives in the American Republics with circular of June 2 (824.00/3194b).

[92] Not printed.

The Provisional Government has variously manifested its pro-United Nations sympathies by accelerating the production of strategic materials and conserving them for the war effort, by legislation providing for the expropriation of Axis firms, several of which have already been nationalized, and by the expulsion of the core of Axis aliens whose continued presence in Bolivia represented a constant threat to hemispheric defense.

President Villarroel has shown himself to be moderate, yet forceful, and it is believed that he has the support of the majority of labor groups and of the independent political parties. The Provisional Government is believed to dominate the political situation. Also, it is believed that the Provisional Government is sufficiently strong to maintain itself in office, and that Villarroel will be elected President with or without recognition. Recognition would hasten the trend toward cooperation between the Provisional Government and the traditional political parties.

HULL

824.00/3286

Memorandum by the Chief of the Division of Mexican Affairs (McGurk) [93]

[WASHINGTON,] June 12, 1944.

The Warren report was distributed June 3 to both the local embassies of the American republics and to our Ambassadors for delivery to their Foreign Ministers. It was anticipated that delivery would be made to the more distant countries such as Chile and Uruguay by June 9 or 10. They have all had an opportunity by today's date to have studied the report and to have come to some conclusions on it.

We have definite indications from 5 countries that they desire immediate recognition. These are Venezuela, Brazil, Chile, Colombia, and the Dominican Republic. Venezuela had notified us that she would recognize Bolivia at 10 a. m. June 12, today. Ambassador Corrigan was reached by telephone by the Department, and the necessity was impressed upon him of inducing Venezuela to postpone recognition until there should have been a reasonable opportunity for an exchange of views by the American republics. This he was successful in doing, and Venezuela has now informed us that she wishes to make her announcement of recognition simultaneous with our own.

The attitude of Brazil is known. The Department had a telephone call from Ambassador Caffery over the week end stating that Aranha desired to know immediately what our views were with regard to Bolivia and recognition in as much as he had had several inquiries

[93] Addressed to the Secretary of State and the Under Secretary.

from other countries as to his own. The Department instructed Ambassador Caffery to advise Aranha that we would keep him fully informed and that we thought it advisable to allow a little more time for consultation, and that we especially desired to give Mexico and Cuba an opportunity to submit for the information of all concerned the findings of their special representatives sent to Bolivia on a mission similar to that of Ambassador Warren.

We have not as yet been furnished information by Mexico and Cuba as to the result of the investigations of their respective special representatives sent to Bolivia. We have, however, informal indications from both countries that they are favorable to recognition.

Uruguay is in a peculiar position in so far as recognition is concerned. Ambassador Blanco informed Mr. Duggan on June 9 that he personally is in favor of recognition at once, but that he would inform us immediately he receives the views of his Government.

We should have within the next few days a complete exchange of views. It is probable that, without exception the American republics will wish to extend recognition to the present Bolivian provisional government. The only question is as to the time. As to this, it would appear that, with very few exceptions, the consensus of opinion would time recognition as soon as possible and before the elections.

JOSEPH F. MCGURK

P.S.—Since the drafting of this memorandum, the Costa Rican Foreign Minister has stated that in his opinion recognition is now justified.

824.00/3284 : Airgram

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

HABANA, June 15, 1944—2 : 55 p. m.
[Received June 19—8 a. m.]

A–1292. My telegram No. 570, June 12, 1 p. m.[94] Minister of State this morning read me portions of preliminary report Cuban Minister to Chile[95] had cabled from Bolivia regarding Bolivian situation. Pizzi de Porras promised fuller report after he has returned to Chile, since he was "afraid of Bolivian censorship."

Preliminary report gives very unfavorable picture of conditions in Bolivia, alleging terrorism and persecution, that MNR is still influencing the Government behind the scenes, that deposed pro-Nazi officials will be reinstated after elections, et cetera.

Minister of State said that he realized it might appear that Cuba, which had favored prompt recognition, was inconsistent in its attitude, but that he wanted to get full facts. He hoped we would delay

[94] Not printed.
[95] Enrique Pizzi de Porras.

any action for several days pending further receipt and exchange of information. He also commented that it might be well to await conduct and result of forthcoming Bolivian elections before finally deciding on recognition policy.

Pizzi de Porras has had close associations with Cuban Communists. It occurs to me that his story, so at variance with Ambassador Warren's, may reflect views of PIR [96] leaders. However, Minister of State is obviously impressed with his criticisms of Bolivian régime.

BRADEN

824.01/927c: Circular telegram

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

WASHINGTON, June 15, 1944—midnight.

The Mexican Foreign Minister has advised our Embassy in Mexico City that he has received the report of his representative recently returned from Bolivia which favors recognition. The Foreign Minister states that he is willing to proceed with recognition and suggests the date of June 23 as the date for simultaneous action by the other American republics. The Mexican Foreign Minister has handed a copy of his representative's report to all the missions in Mexico City except Bolivia and Argentina together with a note setting forth the foregoing information.

HULL

824.01/977

Memorandum of Telephone Conversation, by the Ambassador in Mexico (Messersmith)

[MEXICO CITY,] June 17, 1944.

Mr. McGurk in the Department called me on the telephone this morning at 10 a. m., Mexico City time, and gave me the information which is contained in the appended memorandum [97] which I prepared immediately afterward. Mr. McGurk said that I was to give Dr. Padilla, the Minister of Foreign Relations, this information and that I should convey that the Department believes that his initiative in his note addressed to the other American Republics was a happy one and that we would be willing to go along with him in further procedure to bring about a common attitude in relation to Bolivian recognition on June 23. In the absence of the Minister, Dr. Padilla, I called on Dr. Tello,[98] the Oficial Mayor of the Foreign Office, who I know has

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[96] Partido de la Izquierda Revolucionaria.
[97] Not printed.
[98] Manuel Tello.

full instructions from the Minister regarding the Bolivian situation. I gave to him the appended memorandum covering the substance of Mr. McGurk's conversation with me this morning and left with him quite informally and not as an official document a copy of the appended memorandum for his adequate guidance . . .[99]

Dr. Tello said that he was much pleased and that he would immediately inform their Ambassador in Chile [1] by telegraph to inform the Chilean Government that from the information which the Mexican Government had, 11 of the American Governments . . .[99] had already indicated a willingness to recognize the present Bolivian Government on June 23 [2] and that the Mexican Government would appreciate hearing from the Chilean Government in the event that it was ready to proceed on that day. Dr. Tello said that he would send a similar telegram to Cuba, Peru and Nicaragua.

Dr. Tello said that he would send a telegram to their Ambassador in Uruguay [3] to inform the Uruguayan Government of the attitude of the 11 states with respect to recognition and to ask what the position of the Uruguayan Government was and to express the hope that they would have no objection to our going forward on that basis. Parenthetically, he said that if Uruguay felt that it was in a special position, he hoped it would not object to the other American states' going forward on June 23 . . .[99]

With respect to Costa Rica and Paraguay, in view of the attitude of the other American Governments already known, he expressed the hope that they would be able to go along with respect to recognition as of June 23, even if they have not had any relations up to now with Bolivia.[4] Parenthetically, I remarked that probably the failure of Costa Rica and Paraguay to reply was due to the fact that they have not had any diplomatic relations with Bolivia for some time. He was not sure about this but he would look it up. In any event, he did suggest that they would go along even if they have not had any relations with Bolivia for some time.

With respect to El Salvador, he said that they would send a telegram along the same lines as to Chile and try to overcome any objection that El Salvador may have to going along with recognition on June 23 . . .[99] before the election.

Dr. Tello, on behalf of Dr. Padilla, said that the Minister appreciated very much this collaboration with us in this important matter and assured me that the telegrams in the foregoing sense would go

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[99] Points appear as in the original.
[1] Luis Rodríguez.
[2] A marginal note initialed by Mr. McGurk reads, "No, I corrected this."
[3] Mariano Armendáriz del Castillo.
[4] A marginal note reads, "I corrected this."

forward immediately and this was in accord with instructions he had from the Minister.

He said that he would keep me currently informed of any information which they get.

824.01/939b : Circular telegram

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

WASHINGTON, June 17, 1944—noon.

As the Department indicated in its circular telegram of June 15, the Mexican Government has suggested simultaneous recognition of the Bolivan regime on June 23. Ambassador Caffery has indicated that the Brazilian Government will agree to that date provided it is agreeable to us.

The Department has been informed by the Colombian and Venezuelan Governments that they are prepared to recognize at an early date. Ten other governments have indicated that they are willing to recognize whenever a decision is made—two of these, however, with certain reservations. No final decision has been received from three governments and one definitely recommends not recognizing until after the elections.

Please inform the Foreign Minister of the country to which you are accredited that this Government is also willing to recognize on June 23 if it is the consensus on the part of the Governments of the American nations.

HULL

824.01/939a : Circular telegram

The Secretary of State to the Diplomatic Representatives in the American Republics Except Argentina and Bolivia [5]

WASHINGTON, June 17, 1944—7 p. m.

In connection with the proposed recognition of Bolivia if this is the consensus of the other American governments (see Department's circular telegram of June 17, 8 p. m. [*noon*]), this Government suggests that in order to accent the united character of the action of the interested governments in dealing with the Bolivian situation each government incorporate in whatever public announcement is made of its action a statement to the effect that its decision followed upon full consultations with the other interested republics, in accord with the pertinent recommendations of the Committee for Political Defense at Montevideo; and that each government notify the Committee of its

[5] Repeated for their information to the Embassies in Argentina and Bolivia.

action. Upon receipt of these communications from the governments, the Committee could be expected to adopt a resolution applauding the solidary character and happy result of the proceedings, and extending to Bolivia a welcome on the hemispheric level which only the Committee is competent to convey. You may inform the Foreign Minister of the country to which you are accredited that we attach considerable significance to this feature of the concluding ceremonies and invite his earnest consideration of it. Please report his views.

HULL

824.01/959c : Telegram

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

WASHINGTON, June 21, 1944—midnight.

669. Reference Department's 668 of June 21.[6] It is the consensus of the interested American republics that the Bolivian regime be recognized on June 23.

Please deliver to the Foreign Minister at 11 a. m. on that date a note stating as follows:

"I have the honor to advise Your Excellency that my Government, having full confidence that Your Excellency's Government will dedicate itself to complete and effective implementation of its announced friendly attitude toward the cause of the United Nations in the present war effort, is pleased to extend, as of this date, full recognition to Your Excellency's Government. Accept, etc."

At the hour mentioned above the Department will release a statement to the press.[7]

HULL

824.01/978 : Telegram

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

LA PAZ, June 23, 1944—3 p. m.
[Received 10: 55 p. m.]

1259. The information contained in official Bolivian communiqué concerning the formal granting of recognition to the Bolivian Government by various other Governments as reported in this Embassy's press telegram number 1258, June 23,[6] provides an approximate outline of these formalities as they will have occurred up to the evening of June 23. In addition the Ecuadoran representative presented a note of recognition at 11 : 30 a. m.

It will be noted that the Vatican which authorized its Nuncio in La Paz to present a note in March 1944 seemingly granting recogni-

[6] Not printed.
[7] Department of State *Bulletin*, June 24, 1944, p. 584.

tion to the Bolivian Provisional Government (reference this Embassy's telegram 705, March 21 [*22*]) [9] has now [apparent omission] a further note of recognition which was explained to me by an officer of the Bolivian Ministry of Foreign Affairs as now bringing about *de jure* recognition as compared with former *de facto* recognition. Neither of the two notes mentioned either of these terms. Likewise it is of interest that this note by the Vatican was presented on June 22 rather than June 23.

The Bolivian [*Chilean?*] Embassy at La Paz has evidently encouraged the newspapers to emphasize the fact that Chile was the first to persuade other than Argentina to recognize the Bolivian Provisional Government by virtue of the early appointment which Ambassador Cohen [10] had today at 9:30 a. m. for this purpose. Moreover, I understand that Ambassador Cohen did not present a note or mention the word recognition in his oral message evidently endeavoring to imply that the hiatus in formal relations between Chile and Bolivia had been something less than "nonrecognition".

The British representative in La Paz [11] was instructed by his Government to present a note of recognition after such presentation by the representative of our Government. Because of these very specific instructions the British representative was considering presenting his note June 24 but I commented to him that I saw no reason why he should not present his note June 23 after the presentation of our note and that this might be more desirable to add to the simultaneous nature of recognition.

I believe the Department will be interested in noting that the Spanish Government now appears to be maintaining the thesis that there has never been any interruption between Spain and Bolivia. The Spanish Chargé d'Affaires [12] has just telephoned me to state that he did not give the Bolivian Foreign Office a *note verbale* and that while in compliance with instructions from Madrid he *did* inform the Bolivian Foreign Minister orally that his Government, consistent with the Estrada Doctrine,[13] considered that there had never been any interruption in its relations with Bolivia, he had not presumed to make any comment which might reflect on the attitude of any other Government on the recognition question such as the unauthentic "the change of a fair Government is an internal question et cetera." The Spanish Chargé mentioned that he did not communicate formally with the Bolivian Foreign Office on any subject from December 15 until near the end of May at which time he sent a note on some routine

[9] Not printed.
[10] Benjamin Cohen, Chilean Ambassador in Bolivia.
[11] Anthony Ashton, of the British Legation.
[12] José del Castillo.
[13] A doctrine concerning recognition set forth in 1930 by the Mexican Minister for Foreign Affairs, Genaro Estrada. See *American Journal of International Law*, 1931, vol. 25, Supplement, p. 203.

subject as though there had never been any interruption in relations between the Bolivian Government. He also added the comment that he yesterday transmitted to Madrid the Bolivian request for an *agrément* for Eduardo Portillo to be Minister to Spain. (Reference this Embassy's telegram 875, April 15, noon.)[14]

WOODWARD

824.01/962 : Telegram

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

LA PAZ, June 23, 1944—4 p. m.
[Received 10:24 p. m.]

1260. In accordance with the Department's telegram 669, June 21, noon [*midnight*], I presented at 11 a. m., June 23, to the Bolivian Minister for Foreign Affairs the note by which our Government accorded recognition to the Bolivian Provisional Government. I was accompanied by the Military Attaché[15] of this Embassy and Commercial Attaché[16] who has also continued to have the status of Second Secretary in La Paz. After a brief conversation with the Minister for Foreign Affairs and the Under Secretary for Foreign Affairs[17] during which numerous photographs were taken by news photographers the Director of Protocol of the Foreign Office arranged for a brief courtesy call which we made immediately afterwards on Major Villarroel the Provisional President.

WOODWARD

824.00/7-544 : Telegram

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

LA PAZ, July 5, 1944—10 p. m.
[Received July 5—3:53 p. m.]

1327. It is by now apparent that the elections have brought a sweeping victory to the MNR which is indicative of the weakness of passive parties and the failure of the Government to set up many independent candidates to oppose MNR men. It is not at the moment possible to determine whether the Government's failure to exercise control over the elections to the MNR's disadvantage was due to over-confidence or rather to its acquiescence in an MNR success, the latter being a distinct possibility.

In any event, the genuine popularity of the MNR among the voters must not be overlooked as a most influential factor in determining the results of the elections. In the seven leading cities of the country

[14] Not printed.
[15] Col. John B. Johnson.
[16] Walter P. McConaughy.
[17] Fernando Iturralde Chinel.

La Paz, Cochabamba, Oruro, Potosí, Sucre, Tarija, and Santa Cruz 10 out of the 29 deputies elected were MNR candidates. This is a ratio only slightly lower than in the country as a whole including many districts where the MNR candidate was the only one receiving any material assistance.

Whether on account of the ineptitude of the Government in controlling elections or on account of the Government's connivance, the MNR will occupy a most respectable proportion of the seats in the convention and Congress and it is to be presumed that some of its members will be chosen to occupy prominent positions and probably some consequent posts. Indications consensus of opinion is that no one but Villarroel will be elected President, however. It appears that the government which is to result from these elections and which will be constituted on August 6 will be a strong and a confident government, considerably more compact and unified than either the Peñaranda Government or the Villarroel Government heretofore. It will be composed of elements which since December 20, 1943 have given every indication of a sincere desire to cooperate closely with the United States, and as long as the United States is in a position to make such cooperation to Bolivia's interest, there is not seen any reason why it will not continue. This group is likely to take decisive, definitive action, without undue procrastination, a trait which may be useful to the United States. It is, therefore, felt that although at first it did appear that the outcome of the elections is undesirable from our point of view, because of certain recognized anti-American individuals who [apparent omission] to formulate the policies of the MNR, in reality the United States will stand a better chance of getting cooperation from a government so organized than from one composed of either too many divergent and mutual antipathetic factions, or of a group of unschooled, opportunist politicians which would have resulted had the Army clique controlled the elections and planted its procrastinating henchmen in every seat. (The "independent" candidates elected were mostly obscure, little-known newcomers on the political scene).

McLAUGHLIN

824.00/12–1244 : Circular telegram

The Secretary of State to Certain Diplomatic Representatives in the American Republics [18]

WASHINGTON, December 12, 1944—4 p. m.

Under date of December 8 the Uruguayan Ambassador presented a confidential note from his Government dated December 7 [19] proposing

[18] Sent to Argentina, Bolivia, Brazil, Chile, Ecuador, Paraguay, and Peru.
[19] Not printed.

joint representations by the American Republics to the Bolivian Government through their respective diplomatic representatives in La Paz to express the hope that the summary executions without trial that followed the abortive revolution of November 19[20] would not be continued.

This Government has replied confidentially that it has shared the general dismay at the executions, that it already expressed its concern to the Bolivian Government, that there has been no recurrence of such acts in several weeks, and the Bolivian Government has indicated its intention that there shall be none, and that, consequently, the reasons for such a joint *démarche* as is suggested by Uruguay would no longer appear to have force. The reply concludes that the Uruguayan proposal should be given immediate and renewed consideration should it at any time appear that there may be a repetition of the circumstances that gave rise to it. Text of notes follows by airgram.[21]

If you are approached by the Government regarding this matter, you may use the above information in your discretion.

STETTINIUS

ARRANGEMENTS TO PROCURE FOR THE UNITED STATES STRATEGIC MATERIALS FROM BOLIVIA[22]

824/6354/439a : Telegram

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

WASHINGTON, December 31, 1943—4 p. m.

1497. Etchenique[23] approached the Department for an exchange of letters to take care of tin purchases beyond December 31, 1943. The Department informed him that for the present this was not desirable and that it was intended that the U. S. procurement agencies would for the present continue to purchase any tin tendered on a day to day basis at unchanged terms.[24]

The Department has written to FEA[25] in this light, the concluding paragraph of which reads as follows:

"The purpose of this letter[21] is to request (1) that no exchange of

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[20] A revolutionary outbreak at Oruro and Trinidad in which an army regiment occupied Oruro and established a provisional government. With the approach of other army units the movement collapsed and was followed by the arrest of a considerable number of partisans of former President Enrique Peñaranda.

[21] Not printed.

[22] For previous correspondence, see *Foreign Relations*, 1943, vol. v. pp. 552 ff.

[23] Miguel Etchenique, Bolivian representative in the United States of the Banco Minero and the Bolivian Development Corporation.

[24] Relationships between the United States and Bolivia, economic as well as political, were subject at this time to uncertainties due to the overthrow of the Peñaranda regime and the assumption of power by a revolutionary junta. For correspondence on the recognition of the revolutionary junta by the United States, see pp. 427 ff.

[25] Foreign Economic Administration.

letters take place with any Bolivian entity, including the tin producers or their representatives, and (2) that deliveries of tin be accepted on unchanged terms, but only in such a manner as will enable the procurement agency to withdraw from the market without prior notice."

HULL

824.24/962

The Foreign Economic Administrator (Crowley) to the Secretary of State

WASHINGTON, January 10, 1944.

DEAR MR. SECRETARY: This will acknowledge receipt of your communications of December 24 and January 1,[27] on the subject of general policy towards Bolivia. Appropriate instructions have been issued to the various branch offices of the FEA to insure conformity with the statements of foreign policy and the related directions contained in your letters.

I understand that a verbal request to withhold all lend-lease shipments to Bolivia has also been received from the Department. I assume we will, in due course, receive written confirmation of this request.

In your letter of December 24, and repeated in your letter of January 1, there is the request that the FEA "undertake no special procurement activities for the time being." For some time we have been considering the advisability of purchasing, and subsequently turning over to the Bolivian Development Corporation,[28] the Quimbol plant, a Bolivian private enterprise manufacturing quinine sulphate. It has been felt that our cinchona program would be benefited by this step as it would bring under our control the principal factor of competition in the acquisition of cinchona bark in Bolivia. It would also enable us to control the disposition of the entire output of the plant and thus prevent any further leakage to Argentina from this particular source. Your letter advises us to "continue routine field activities with private contractors and producers." On the other hand, to purchase the plant may be considered a "special procurement activity."

We have recently received revised offers for the outright sale as well as for the granting of an option to purchase this plant. We would like to proceed with negotiations on this matter and to be

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[27] Neither printed; for the substance of these letters, see letters of December 24, 1943, and January 1, 1944, from the Secretary of State to the War Shipping Administrator, pp. 496 and 498, respectively.

[28] Bolivian Government instrumentality.

free to act when we have settled upon a satisfactory price. Bolivia is our only remaining source of cinchona bark of high quinine content. I need not point out how vital this material is to the conduct of the war, nor need I stress the necessity of preventing the shipment of manufactured products containing quinine from reaching the Argentine as that point has been specifically referred to in both of your letters. We regard the acquisition of this plant as the most effective means of controlling shipments of quinine from Bolivia. On the other hand, we are quite aware of the fact that there may be overriding reasons for temporarily abandoning these negotiations. It would therefore be most helpful to us to receive advice and guidance from you on this subject.

Another matter which I wish to bring to your attention pertains to the inventories under the control of the Mine Supply Control District in Bolivia. These supplies, though owned by private dealers, were obtained under an FEA mine serial number and are subject to allocation by FEA. We have a commitment from the former Bolivian Government that these supplies would not be molested, diverted to other uses or confiscated. There had also been granted an exemption from the Bolivian sales tax on the resale of this equipment to mine operators which had been of considerable assistance to small miners. It is of great importance to our programs that there should be no change or interference in the operations of the Bolivian Mine Supply Control District. In the meantime, we assume that we should continue our operation of this service as heretofore.

As requested in your letter of January 1, we are reinstating the granting of export licenses for merchandise to be shipped to Bolivia. We must, however, point out that we are unable to handle those applications which require consultation with the Certifying Agency in Bolivia. The decentralization plan has been in full effect in Bolivia but, as Government to Government relationship no longer continues, it is evident that so long as this situation prevails, we cannot expect the continued issuance and receipt of import recommendations from Bolivia. Therefore, it will be necessary to adopt a changed procedure for the handling of exports to Bolivia.

A full and up-to-date description of the FEA production and development programs in Bolivia together with an analysis of their relative importance to the U. S. war program is available for the use and guidance of the Department in shaping its political policies. We are also preparing a current appraisal of the economic dependence of Bolivia upon exports from the U. S. which we will be pleased to submit to the Department when it is completed.

Sincerely yours, LEO T. CROWLEY

824.24/962

The Secretary of State to the Foreign Economic Administrator (Crowley)

WASHINGTON, January 19, 1944.

MY DEAR MR. CROWLEY: I wish to thank you for your understanding letter of January 10, 1944 in reply to my communications of December 24 and January 1 [29] setting forth certain political considerations in respect to Bolivia. I shall be glad to comment on the points you make in the order they appear in your letter under acknowledgment:

(1) No lend-lease shipments should be made to Bolivia until further notice.

(2) The Department is fully alive to the importance of quinine to the successful prosecution of the war and is anxious that the quinine procurement program move forward as rapidly as possible with a minimum of dislocation. Of course, normal quinine procurement activities in Bolivia may continue unaffected, but I consider it desirable at least for the time being that negotiations looking to the purchase of the Quimbol plant be suspended. This plant is owned by Senator Mariaco Pando, a supporter of President Peñaranda. Quinine production and procurement activities in Bolivia have from the beginning been deeply immersed in domestic politics and the status of the Quimbol plant has been the subject of lengthy discussions in the press and in political circles. Were an agency of this Government at this time to proceed with negotiations looking to the purchase of this plant, it would tend to confuse the Bolivian political situation and could well give a misleading impression of this Government's future intentions. The Department much prefers to avoid giving any impression (however farfetched) that this Government is dealing with one political faction or another. I shall be glad to review the situation as it may affect the purchase of the Quimbol plant from time to time and assure you that the moment it becomes feasible to resume negotiations the necessary clearance will be promptly given.

(3) I agree with you fully that the operations of the Mine Supply Control District in Bolivia should continue. If further developments necessitate any change, I shall inform you promptly.

(4) With respect to the granting of export licenses for merchandise to be shipped to Bolivia, I am happy to state that informal working arrangements have already been arrived at with members of your staff which will permit the continuance on an orderly basis of essential shipments. For the time being the procedure for the issuance of import recommendations is being suspended and these are no longer being received by the Embassy from the Bolivian Central Bank. The matter is, I am told, being handled on an individual case basis in the Foreign Economic Administration in consultation with representatives of the Department.

I have noted with interest that you are preparing a current appraisal of the economic dependence of Bolivia upon exports from the

[29] See footnote 27, p. 474.

United States, and that you will be pleased to submit to the Department a copy of this study when it is completed. I shall be very happy to receive this useful study.

Sincerely yours, CORDELL HULL

811.20 Defense (M) Bolivia/1–2244

Memorandum by Mr. Paul Linz, Division of Supply and Resources, to the Director, Office of Wartime Economic Affairs (Taft)

[WASHINGTON,] January 22, 1944.

MR. TAFT: As a result of there being no Bolivian Government recognized by the United States for over a month now, our procurement program for critical materials may be adversely affected and the injuries which result are not necessarily such that a later clarification of relations with Bolivia will undo the damage which may have been done. I have in mind the following:

1. *Rubber.* With no way of communicating with Bolivian officials, there is no way of preventing smuggling of rubber to the Argentine, or, in fact, of preventing the Bolivians from making sales openly to the Argentine. It is also difficult to ascertain whether shipments of rubber in excess of 250 tons a year, permitted under the agreement, are being made to the Argentine. Once any excess rubber has been shipped, it is lost to the war effort for good. The proposed increase of 15 cents a pound will complicate the matter still further. Please refer to the attached memorandum,[30] copies of which I have sent to Messrs. Duggan,[31] Bonsal,[32] and Knox.[33] The attached telegram No. 241 of January 18, from La Paz,[30] as well as the telegrams referred to therein, give some idea of the complications which are resulting from the existing situation.

2. *Tin.* A telegram has come in from Buenos Aires, indicating that Bolivia is offering high grade tin concentrates to Argentina. Here again, if tin is once shipped to the Argentine in any form, it is presumably permanently lost to the United Nations. We have also received indications from the Bolivian Embassy and from the intercept of the conversation between Hochschild [34] and Carrasco [35] that Argentina may be considering a preclusive purchase of Bolivian tin output. This may or may not be a bluff. However, from the point of view of our objectives, it would appear to me that it would be better for us to announce that we discontinue the purchase of tin at 60 cents, f.o.b. Chilean ports, and live up to the letter of our commitment, which would be to adhere to the only contract now in force, the original one which was made in 1941 and runs for five years, on which the price is 48½ cents, c.i.f. U. S. ports, than to be confronted with an announcement that Argentina had purchased the Bolivian tin production.

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[30] Not printed.

[31] Laurence A. Duggan, Director, Office of American Republic Affairs.

[32] Philip W. Bonsal, Deputy Director, Office of American Republic Affairs.

[33] Charles F. Knox, Chief, American Republics Requirements Division.

[34] Mauricio Hochschild, head of the mining firm of Mauricio Hochschild, S.A.M.I.

[35] Manuel Carrasco, Legal Counselor to the Hochschild firm.

3. *Quinine and Cinchona Bark.* There have been continuous leaks of these products to the Argentine. It is to be assumed that this traffic either has increased or may increase in the future. The grade of cinchona bark from Bolivia is better than can be obtained anywhere else. Here again, whatever goes to the Argentine is lost to the United Nations, and, what is still worse, in the case of this particular product, will probably find its way to the Axis.

I wonder whether this would not be an appropriate subject for the Policy Committee.[37]

PAUL LINZ

811.20 Defense (M) Bolivia/1351 : Telegram

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

WASHINGTON, January 26, 1944—7 p. m.

121. As stated in the Department's Telegram No. 75, January 15, 9 p. m.,[38] the Department has informed the Rubber Development Corporation that it may continue to apply for export permits to ship rubber purchased by the Corporation in Bolivia. The Department considers that Rubber Development (although an agency of this Government) is actually operating as a trading corporation and that the application for export permits in no sense could be interpreted as constituting any recognition of the Bolivian junta.

With respect to the rubber smuggling aspects of the situation mentioned in your telegrams Nos. 223 of January 17 and 241 of January 18,[39] neither the Department nor the Rubber Development Corporation intends at this time to increase staffs to prevent smuggling activities. What is desired is that as much time as can be spared be devoted to this effort.

HULL

811.20 Defense M (Bolivia)/3-644

Memorandum by Mr. Paul Linz, Division of Supply and Resources, to the Director, Office of Wartime Economic Affairs (Taft)

[WASHINGTON,] March 6, 1944.

I had a meeting this morning with Mr. Lyon, WCA [40] and Ambassador Boal [41] at their request, to work out statements for the Under Secretary [42] on actions which might be taken resulting in reduction or discontinuance of procurement of commodities from Bolivia.

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[37] Department of State Policy Committee, established by virtue of Departmental Order 1218, January 15, 1944.

[38] Not printed.

[39] Neither printed.

[40] Cecil B. Lyon, Acting Chief, Division of West Coast Affairs.

[41] Pierre de L. Boal, American Ambassador to Bolivia, temporarily in Washington.

[42] Edward R. Stettinius, Jr.

Tin. I informed them that the present price which we are paying Bolivia, f.o.b. Chilean ports, was on a day to day basis. The only contractual obligation which we have is under a contract signed November 4, 1940, retroactive to July 1, 1940, for a five year period which, therefore, expires July 1, 1945. The terms of the contract provide for payment at 48½ cents c.i.f., or the standard market price, less 1½ cents a pound. All amended contracts or letters of understanding calling for higher prices have expired. We could, therefore, fall back on the terms of the five year contract.

We are at present paying China 53 cents f.o.b. Chinese airports for tin. China shipped to the United States and Russia a total of about 7,000 tons in 1943. Our contract with the Belgian Congo provides for a base price of 53 cents f.o.b., plus a preminum of an additional two cents if a specific set tonnage is exceeded in any one quarter. The Belgian Congo shipped about 17,000 tons to the United States in 1943. We received insignificant tonnages from other places, such as Mexico and French Cameroons. It, therefore, appears that legally we could reduce our buying price to Bolivia from 60 cents to 53 cents f.o.b.

Copper. The only government contract expired on February 29, 1944 and was not renewed. The American Smelting and Refining Company have a contract with Corocoro in Bolivia (a subsidiary of theirs) to buy copper which they bring in in bond and sell to the Metals Reserve Company. Metals Reserve has no long term commitments and if we wish to discontinue the purchase of this copper, the Metals Reserve would simply have to notify the American Smelting that they were no longer buyers.

Antimony. The contract expired on December 31, 1943 and was not renewed. No action, therefore, is necessary.

Tungsten. We have an over-all agreement with the Bolivian Government which does not expire until July 1, 1944. We must, therefore, purchase until that date. The agreement provides that we commence negotiations on new terms at least six months prior to the expiration of the contract. We have not done this because there is no recognized government with which to negotiate. The Banco Minero and leading tungsten producers are, therefore, already conscious of the fact that we may not be interested in purchasing beyond July 1, 1944.

Rubber and Quinine. These two products are still badly needed for the United Nations war effort. However, it was felt that if Argentina is successful in forming a bloc, they will get the rubber and quinine anyway (the rubber they could readily use domestically and the quinine they could use in part domestically and in part for making handsome profits through smuggling to the Axis). Therefore, one had to balance the risk of losing rubber and quinine temporarily as a result of our actions or losing it permanently as a result of inaction.

At the same meeting, Mr. Swihart, WT,[43] was present and gave his advice as to what steps could be taken to freeze Bolivian funds in the United States. Since Bolivia might very well continue to ship tin at 53 cents, it was felt that a freezing of exchange would be an essential part of any program.

Ambassador Boal also discussed the possibility of the Argentine supporting the Bolivian economy by a subsidy of our seven cents price reduction or by subsidizing the entire tin production. This brought all of us to the conclusion that there was always the risk that any action that we might take against Bolivia might not be effective unless we were prepared to take similar action against the Argentine.

811.20 Defense (M) Bolivia/1376 : Telegram

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

LA PAZ, March 24, 1944—6 p. m.
[Received March 25—12 : 40 a. m.]

732. Eduardo Arze Quiroga Acting Under Secretary of Foreign Affairs of the Junta asked to talk with me informally and unofficially. He told me Baldivieso[44] is very much concerned about the pressure that is being put upon the Junta by the Argentine Embassy to permit the exportation of quinine sulphate to Argentina. Arze said the Junta has no desire to permit the exportation of quinine and cinchona bark to any country other than the United States but that the pressure has become so strong from Argentina under the present circumstances in which Argentina has recognized the Junta that he hopes there may be some possibility that an agreement in some form may be concluded with our Government so that the Argentine Government can be informed that the Junta is obligated to deliver all quinine and bark to the United States. At the same time Arze indicated that the Junta could not defend before the producers an agreement which did not provide them with some reciprocal advantages. I told Arze that I would repeat his comments to my Government. (Arze digressed on the theme that there is little fundamental friendliness between Bolivia and Argentina because Bolivians generally consider Argentina responsible for their defeat in the Chaco war.) Perhaps as a method of attempting to persuade me that he was not trying to use quinine in pressing for recognition Arze said that he was not at all optimistic that the United States would recognize the Bolivian Junta until after the inauguration of a constitutional president.

WOODWARD

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[43] James W. Swihart, Assistant Chief, Division of World Trade Intelligence.

[44] Presumably Enrique Baldivieso, who appears to have been designated at this time to succeed José Tamayo as Minister for Foreign Affairs.

811.20 Defense (M) Bolivia/1378 : Telegram

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

LA PAZ, April 1, 1944—10 a. m.
[Received 8 : 18 p. m.]

779. Paz Estenssoro,[45] who as Finance Minister controls with the Minister of Economics the national quinine factory, telephoned Wynn, acting special representative FEA on March 31, and said since he was terminating his duties in the Ministry at close of business March 31 and because of important new developments in any quinine situation affecting previous assurances transmitted to Wynn by the Junta he would like Wynn to discuss this situation informally with Villarroel[46] and himself. In view of the great importance of quinine to the war effort Wynn agreed. In the ensuing conversation Villarroel stated:

(1) That he had previously sent Wynn assurances that no sulphate would leave Bolivia except to the United States;

(2) That no sulphate has left Bolivia this year so far except to the United States;

(3) That the Argentine Ambassador[47] has been practically living at the palace insisting that Argentina needs sulphate from Bolivia and has finally advised Villarroel that Argentina will consider it an unfriendly act if Bolivia would not furnish Argentina with 500 kilos of sulphate which the Argentine Government needs immediately to control malaria in the northern regions of Argentina. Argentina would need sulphate monthly; the Argentine Ambassador said further that if Bolivia committed this unfriendly act toward Argentina, Argentina would cut off Bolivia's importation of meat, wheat and other agricultural products from Argentina.

(4) That if Argentina cut off these supplies Bolivia would starve.

(5) That Bolivia does not intend to furnish Argentina with this much sulphate but may have to furnish them a little in order to keep Argentina from taking these steps (see this Embassy's telegram 752, March 28, 1 p. m.[48]).

(6) That in view of the national factory's inability to get bark the Cabinet was passing a decree requiring one-third of the bark to go the national factory (a report appeared in the *La Razón* that a decree has been approved requiring that all quinine "exporters" deliver to the national factory 30% of the unprepared cinchona bark they export but Wynn understands this decree has not as yet actually been signed).

(7) That due to the pressure from the producers and factories and since our prices are not only lower than Argentine Government offers

[45] Victor Paz Estenssoro, founder and leader of the Movimiento Nacionalista Revolucionario.
[46] Maj. Gualberto Villarroel, head of the Junta.
[47] Gen. Martín Gras.
[48] Not printed.

but lower than prices offered by governments of our own Allies, Bolivian Government which at this time has domestic as well as international problems does not feel it can order the factories to sell all of their production to us at prices markedly below those being offered by the Governments of Brazil, Costa Rica and the Dominican Republic as well as Argentina. Villarroel said, however, that the Bolivian Government would do everything possible to see that the United States gets as much as or more sulphate from Bolivia than it has in the past. In this connection the President estimated that with the new machinery arriving and which will be functioning by June the production of the national factory would increase to 1,500 kilos per month, of which over 1,200 should go to the United States. Villarroel indicated moreover, that with respect to disposition of sulphate on hand consisting of 350 kilos at La Paz and Oruro, he would personally order that 200 kilos be given immediately to Wynn at the FEA price and that only 150 kilos be held in Bolivia for contingencies.

WOODWARD

811.20 Defense (M) Bolivia/1385

Memorandum of Conversation, by Mr. Edward D. McLaughlin, Division of West Coast Affairs

[WASHINGTON,] April 11, 1944.

Colonel Garside,[49] in charge of the Quinine Procurement Program in the War Department told me that the Army has had success with the use of atabrine and that quinine is no longer a problem. He made it very plain that if the State Department were in a position where for political ends it was faced with the alternative of cutting off the flow of quinine altogether, it could safely do so. The Colonel is evidently displeased with the Procurement Program of FEA and thinks that the results have been meager for the time and energy invested. I told him that conditions in Bolivia were somewhat better, that the more dangerous political elements had left the Junta April 5, and that it was entirely possible some over all agreement might be worked out on quinine. In this case I asked his opinion as to whether or not other countries, particularly Argentina, should be given a minimum share in Bolivian quinine production. He said he thought the situation as to supply was such that we could and should permit other countries to share in it.

I have the distinct impression that the Army (1) has a very substantial reserve supply of quinine sulphate, (2) has found the use of

[49] Col. Charles Garside was sent in 1943 by the Board of Economic Warfare on a special mission concerning quinine to certain American Republics.

atabrine to be most effective, and (3) that while it would like to have all the quinine it could get, the War Department is willing, if necessary, to forego all Bolivian quinine for an indefinite period if some beneficial political [ends?] can be served.[50]

824.24/1024

The Secretary of State to the Foreign Economic Administrator (Crowley)

WASHINGTON, April 25, 1944.

MY DEAR MR. CROWLEY: As you are probably aware, a considerable number of changes have occurred in Bolivia since Mr. Acheson[51] wrote you on February 5[52] in regard to that country. In the light of these changes and on the understanding that our military demand for Bolivian quinine is urgent, I am pleased to inform you that the Department perceives no objection to the Foreign Economic Administration proceeding informally with arrangements to obtain the maximum quantity of quinine from Bolivia.

The Department would, however, appreciate the opportunity of commenting, from the standpoint of our general over-all relationship with Bolivia, on whatever plans the Foreign Economic Administration may formulate concerning the purchase of quinine from Bolivia.

Sincerely yours, CORDELL HULL

811.20 Defense (M) Bolivia/1396 : Telegram

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

LA PAZ, May 1, 1944—noon.
[Received 7 : 29 p. m.]

978. This Embassy's telegrams 929, April 24, 7 p. m., and 930, April 24, 8 p. m.[53] I have learned that the Argentine Government has stopped certain large shipments of flour and cement to Bolivia because of the Bolivian offer to our Government concerning quinine. The Argentine continue to insist on receiving some sulphate immediately. In the event our Government is interested in the Bolivian offer prompt action would seem to be highly advisable to forestall weakening on the part of the Bolivians.

WOODWARD

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[50] A handwritten marginal note reads: "Navy Liaison says it *is* needed! C[ecil] B. L[yon]."
[51] Dean Acheson, Assistant Secretary of State.
[52] Letter not printed.
[53] Neither printed.

811.20 Defense (M) Bolivia/1406

The Director, Office of Wartime Economic Affairs (Taft), to the Director, Foreign Procurement and Development Branch, Foreign Economic Administration (Nitze)

WASHINGTON, May 15, 1944.

DEAR PAUL: Please refer to your letter of May 6, 1944,[54] addressed to Mr. Linz.

The Department sees no objection to conferring with the signers of the Bolivian tungsten contract, as per their letter of April 25, 1944. However, under the Department's present non-recognition policy with respect to Bolivia, it is felt that (1) no contract should be entered into between Banco Minero and this Government; (2) no contract should be made with the individual mining companies which carries the "guarantee of the Bolivian Government". You will be kept advised of any events which will change this policy.

If you still feel it advisable for the officials of the State Department and the Foreign Economic Administration to confer further regarding this matter, we will be glad to arrange such a meeting.

Sincerely yours, CHARLES P. TAFT

811.20 Defense (M) Bolivia/1409 : Telegram

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

LA PAZ, May 21, 1944—7 p. m.
[Received 10: 17 p. m.]

1103. After the departure of the Axis nationals from Bolivia on May 18, Ambassador Warren [55] authorized Wynn to proceed with a quinine agreement. Ambassador Warren had indicated on May 17 to Egger [56] of the Bolivian Development Corporation and previously to Wynn that the quinine purchase arrangement would be primarily preclusive purchasing as indicated in this Embassy's telegram number 1052 May 13, from Warren.[57]

After an oral discussion of the matter with Wynn and with directors of the Development Corporation Egger addressed a letter to Wynn on May 19 in which he stated that the interest of the Development Corporation in cooperating in the quinine program has been first to be of material assistance in the war and second to establish a permanent quinine industry in Bolivia. Egger stated that the new synthetic quinine appears to offer a potential which may eliminate the possibility of a permanent quinine industry in Bolivia. He indicated that the Development Corporation would of course cooperate fully in

[54] Not found in Department files.
[55] Avra M. Warren, Ambassador to Panama; for correspondence on his special mission to La Paz, see pp. 455–465.
[56] Roland A. Egger, General Manager, Bolivian Development Corporation.
[57] Not printed.

supplying quinine if it were of vital necessity in the war but that the Corporation is ill prepared to use Bolivian Government funds in a program of preclusive buying.

It will be recalled that the arrangements made tentatively by Wynn for obtaining practically the entire output of Bolivian quinine and cinchona as described in this Embassy's telegram number 929, April 24,[58] were predicated on the cooperation of the Bolivian Development Corporation. Wynn and I would appreciate a statement from the Department after consultation with the Foreign Economic Administration and the War Department and any other agencies which have direct interest in quinine procurement indicating clearly whether quinine is vitally needed in the war and the extent to which purchase of quinine may be guaranteed during the next year or so.

If our need for quinine is not now vital there would seem to be serious question about our persuading the Bolivian authorities to require sale of quinine to our Government at lower prices than are being offered by other United Nations.

Please repeat to Foreign Economic Administration for Crowley, Nitze, and Adler.

WOODWARD

824.6354/8–544

Memorandum of Conversation, by Mr. Charles E. Gamper, Supply and Resources Division

[WASHINGTON,] August 5, 1944.

Participants:	Bolivia	Señor Ballivian[59]
		Señor Etchenique
	FEA	Mr. Nitze
		Mr. Jewett[60]
		Mr. Peterson[61]
		Mr. Bateman[62]
	State	Mr. Wright, ARA[63]
		Mr. Rockwell, NWC[64]
		Mr. Burns, CD[65]
		Mr. Plank, LD[66]
		Mr. Gamper

[58] Not printed.
[59] René Ballivian, Financial Counselor of the Bolivian Embassy.
[60] George S. Jewett, General Counsel, Foreign Economic Administration.
[61] Axel M. Peterson, Foreign Economic Administration Mining Engineer.
[62] Alan M. Bateman, Metals and Minerals Division, Office of Imports, Board of Economic Warfare.
[63] James H. Wright, Assistant to the Director, Office of American Republic Affairs.
[64] Stuart W. Rockwell, Division of Northwest Coast Affairs.
[65] Norman Burns, Assistant Chief, Commodities Division.
[66] Ellsworth H. Plank, Division of Labor Relations.

Mr. Ballivian notified all present that he had no official instruction to proceed with the negotiations of a new amendment to the present Tin Contract [67] but was merely instructed by his government to determine whether or not negotiations could be started. Mr. Nitze replied that the US government was ready to start negotiations at the convenience of the Bolivian government.

Mr. Nitze made clear that the negotiations were not to be a continuation of those terminated by the non-recognition of Bolivia. While a great deal of the work which had been done heretofore could be used no offers which had been made previously by either government should be assumed to be still valid.

The following points were raised by the Bolivians:

1. *Price.* Mr. Nitze explained that he would prefer that the Bolivians make the original proposal and that negotiations could proceed from that point. Also FEA wished to state that the price jointly agreed upon could not be retroactive beyond a possible date of July 1, 1944.

2. *Length of Contract.* It was pointed out that the price would largely depend on the length of the contract and that this Government would be willing to consider a relatively long contract. Mr. Ballivian asked whether a long term could be defined as 10 to 15 years. Mr. Nitze explained that there was no authority available to FEA to enter into such a long term contract but that FEA felt that a 6 months, 1 year, 18 months or even a 2 year extension could be considered each requiring a different set of terms and conditions.

3. *Smelting Penalties.* Mr. Etchenique asked whether or not FEA still considered the smelting penalties as proposed last December were necessary. FEA advised that data assembled in the last six months confirmed the necessity of these smelting penalties. In the long run they would be desirable to Bolivia in order to adjust to post-war conditions when other world tin deposits were reopened.

4. *Social Reforms.* Mr. Ballivian stated that his government was interested in tying a social reform program to the new contract. Mr. Nitze replied that any such proposal submitted by the Bolivian government would be given sympathetic consideration.

5. *Taxation.* In assisting small mines which could not operate under any economically justifiable tin price Mr. Wright suggested a revision of the Bolivian tax system. Mr. Ballivian agreed that the Bolivian tax structure should be revised but that it would be a long and difficult procedure and could not help the small mines for several years. He also pointed out the loss to Bolivia of income as result of decreased tungsten and antimony purchases.

6. *Visiting Bolivian Delegations.* Mr. Ballivian was asked if he knew of any delegation who would visit the U.S. for the purpose of conducting the tin negotiations. He replied he had no official or unofficial information on this matter.

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[67] For correspondence on the negotiation of this contract, see *Foreign Relations*, 1940, vol. v, pp. 524 ff.

811.20 Defense (M) Bolivia/9–1644 : Telegram

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

LA PAZ, September 16, 1944—10 p. m.
[Received 10 : 57 p. m.]

1674. From McConaughy. In McLaughlin's absence from the city Foreign Minister [68] summoned me to Foreign Office last evening to discuss the tin price negotiations. He read me the substance of a telegram he had just sent Dorado [69] which may be summarized as follows:

(1) It must be conceded that the working and living conditions of the mining laborers to date are no better under the Villarroel government than they were under the Peñaranda Government.

(2) The present Bolivian Government has a specific obligation to the Bolivian mine laborers to better their circumstances and cannot justify its continuance in office without discharging this obligation.

(3) The United States as an Ally of Bolivia in the war against the Axis is bound to render economic assistance to Bolivia to maintain the political and financial stability of the country. This obligation is made greater by the sacrifices Bolivia has made in supplying rubber, cinchona bark and quinine sulphate to the United States for the use of the United Nations at prices lower than could have been obtained from Argentina and elsewhere; and by the price reductions and cessation of purchases by the United States of minerals such as tungsten, antimony, copper and lead which have greatly reduced the revenues accruing to the Bolivian Government.

(4) The Bolivian Government recognizes the right of Bolivian mine owners to a reasonable return on their investment and is prepared to accord them a portion of the anticipated tin price increase if they cannot make a profit on the basis of a 60 cent tin price.

Any price increase granted to the mine owners would be deducted from the fund intended to be set aside for social benefits and would not call for an increase in the price proposed by the Bolivian Government namely 66 cents.

(5) The Foreign Minister is prepared to go to the United States in the near future on a temporary special mission to negotiate a new tin price contract if such action appears desirable.

He would not be accompanied by any other Cabinet Minister and would take with him only advisers at the technical level.

Embassy comment. Andrade's decision to put out this feeler was probably prompted by reports that Dorado's proposal to increase the tin price was coolly received by FEA representatives at the first meeting. While Andrade did not specifically ask me to ascertain the Department's attitude toward his prospective trip to the United

[68] The replacement of Enrique Baldivieso by Victor Andrade as Foreign Minister was announced on August 8, 1944. On October 30, 1944, Gustavo Chacón took over the direction of the Foreign Office, when Andrade was named as Bolivian Ambassador to the United States.

[69] Carlos Dorado, Counselor of the Bolivian Embassy.

States I inferred that he wished to sound out Department in this regard unofficially and indirectly. No doubt he would welcome some expression from Department as to the expediency of his proceeding to the United States at this time. Accordingly an indication of Department's reaction to this suggestion would be helpful to the Embassy in its further conversations with Andrade.

While I of course did not agree to venture any opinion as to the propriety of the projected mission I took the occasion to point out to the Foreign Minister that if such a trip should materialize he would be in a better position to show the effectiveness of Bolivia's participation in the war efforts of the United Nations if the National Convention should first approve the decrees providing for the expropriation of Axis firms, and if the numerous knotty problems attendant upon our rubber procurement program which are aggravated by the uncooperative attitude of the Minister of Commerce could be resolved forthwith.

A further account of this conversation will be given in following telegrams. [McConaughy.]

McLAUGHLIN

811.20 Defense (M) Bolivia/8–2944: Telegram

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

WASHINGTON, September 20, 1944—5 p. m.

946. Reurdes 4227, Aug. 29.[70] Please deliver the following note to the Foreign Minister:

"EXCELLENCY: I have the honor to refer to Your Excellency's note No. PE–244, of August 24, 1944, with enclosures,[71] setting forth the point of view of the Bolivian Government concerning the revision of the tin purchase contract. The aforementioned note has been the subject of the most careful consideration by the appropriate agencies of my Government.

It is the firm desire of my Government to see the tin purchase contract of November 4, 1940 made operative in such a way that it will redound to the mutual advantage to our two Governments and peoples. However, inasmuch as it is the established policy of my Government in its foreign procurement program to direct as rapidly as practicable the flow of international trade back into private channels, it is believed desirable that such revisions of the tin purchase contract as may be agreed upon be considered as amendments to the existing contract.

The proposal embodied in Your Excellency's note under reference has been studied in a spirit of the most sympathetic and friendly collaboration. Taking into account all the factors which bear upon the situation, including the special consideration which has been established because of the high cost of production of tin in Bolivia, the

[70] Not printed.

[71] Transmitted to the Department in despatch 4227, August 29, from La Paz, not printed.

procurement authorities of my Government desire that the tin purchase contract be promptly amended along justifiable lines which will be equitable as well to the Bolivian tin industry. Consequently, I have been informed that officers of the Foreign Economic Administration are now prepared to undertake oral discussions on the subject.

Accept, Excellency, etc."

HULL

811.20 Defense (M) Bolivia/9–2144 : Telegram

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

WASHINGTON, September 21, 1944—8 p. m.

951. For your background information there is no political consideration whatsoever involved in this Government's decision that it would be undesirable to conclude a government-to-government tin contract with Bolivia. It is the established policy of this Government to withdraw as rapidly as practicable from participation in international trade and to return such trade to private hands. This policy has been followed by the United States in its dealings with other countries and it is felt that a government-to-government contract with Bolivia would be a restriction upon private trade and therefore inconsistent with the above mentioned policy. Under these circumstances, the existence of a valid contract between the United States Commercial Company and the Bolivian tin producers makes it most logical that such revisions as may be agreed upon be considered as amendments to the existing contract.

While it is realized that this Government's position is a disappointment to the Bolivian Government in its plans for a social program, it is felt that it will be entirely possible for the Bolivian Government to obtain funds for the social program from the proceeds of the production of tin and that a government-to-government tin contract is not necessary to this end.

HULL

811.20 Defense (M) Bolivia/9–2844 : Telegram

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

LA PAZ, September 28, 1944—10 a. m.

[Received 11 : 33 p. m.]

1726. Reference Department's telegram number 946 of September 20, 1944. There follows summary of Bolivian Foreign Office note replying to our note on the completion of tin contract.

After expressing appreciation of the attitude of the United States Government toward opening discussions the Foreign Minister states that parts of his memorandum (see Embassy's despatch number 4227

of August 29, 1944 [72]) have been interpreted incorrectly. He requests consideration of following six points.

1. Does policy of returning procurement program to private trade apply generally to all contracts and materials.
2. Does this policy mean FEA purchases will be replaced by direct purchases by minerals consumers.
3. Bolivian Government desires to have its representative attend contract negotiations and direct producers representatives. Note says people and mine laborers of Bolivia must be represented by Bolivian Government's spokesmen. Government claims constitutional right to intervene in discussions under article 13 of Constitution.
4. Bolivian Government did not propose contract between our two governments although United States officials made such proposal twice. Because Bolivian Congress has not yet passed law establishing Government exportation of all Bolivian minerals, Bolivian Cabinet is willing to enter discussions on basis of amendments to present contract taking into account social and economic arguments presented in memorandum.
5. Bolivian Government hopes political considerations such as Bolivia's assistance to the war effort, measures taken against Axis nationals and membership in United Nations will be taken into account along with economic arguments when fixing tin price. Note asks cooperation in shifting without social unrest Bolivia's economy from war to peace basis. Note requests contract under which mines can work normally and Bolivia can reconstruct assistance to by developing industries such as agriculture and petroleum.
6. Note says Bolivian Government, as soon as agreement is reached, will "dictate tax laws which will permit the realization of the proposed social plan and guarantee the normal development of the tin industry taking into account production costs and margin of profit." Note says Bolivian officials in Washington have been ordered to open conversations with FEA and producers' representatives.

Full translation of note being sent by air mail.[73]

McLAUGHLIN

811.20 Defense (M) Bolivia/9–2844 : Telegram

The Secretary of State to the Ambassador in Bolivia (Thurston) [74]

WASHINGTON, October 2, 1944—5 p. m.

991. For your information and that of Andrade in your discretion the Department sends you the following comments on the six points raised in your telegram No. 1726 of September 28:

(1) It is the desire of this Government to return the procurement program in general to private trade as soon as it is practicable. Although this will apply to all contracts and materials, the Government

[72] Not printed.
[73] Transmitted to the Department in despatch 4404, October 2, 1944, from La Paz, neither printed.
[74] Ambassador Walter Thurston had been transferred from El Salvador to Bolivia in September 1944.

must of necessity for some time remain in control of the procurement program for certain materials but does not desire, where it is possible to avoid doing so, to place new obstacles in the way of reversion to private hands.

(2) It is contemplated that all FEA purchases will eventually be replaced by direct purchase by consumers.

(3) As you know, this Government would welcome Bolivian Government representation at the tin negotiations.

(4) The Department had consistently been told by the Bolivian Embassy here that it was the firm desire of the Bolivian Government to conclude a Government-to-Government contract. Although Foreign Office note proposing new tin prices did not specify a Government-to-Government contract, it strongly implied such an arrangement, and the Department thought it best to inform the Bolivian Government of its basic position in this connection.

(5) The Department is well aware of the political considerations involved in tin negotiations and will definitely take them into account.

(6) The Bolivian Embassy here states that it has received instructions to open conversations, and it is expected that these will begin during the course of the coming week with representatives of the producers and members of the Embassy staff. The Embassy expects a special envoy to come from Bolivia but as yet does not know who it will be.

HULL

824.6354/11–2444

Memorandum of Understanding Between the Department of State and the Foreign Economic Administration Concerning the Purchase of Bolivian Tin

In the course of negotiations now being carried on with the Bolivian tin producers (with the informal participation with representatives of the Bolivian Government) it was agreed between the Department of State and the Foreign Economic Administration that our point of departure in negotiating for the purchase of Bolivian tin until the expiration of the present contract on June 30, 1945 should rest on a 63½¢ base price with a revised smelter schedule, in accordance with letters exchanged on November 6 and November 14, 1944.[75] The Bolivian producers and the Government have insisted on a price of 66¢ with the old smelter schedule or a price of 67½¢ with the revised smelter schedule.

After a number of meetings, in the course of which we rejected the Bolivian proposals of either a 67½¢ or 66¢ price and in the course of which the 63½¢ price with the new smelter schedule was proposed, the negotiations deadlocked. A further meeting was held in an effort to break the deadlock. This was unsuccessful. Subsequently two meetings were held by the representatives of State and FEA in an effort to determine upon some alternate course of action which would

[75] Not printed.

be in keeping with our common desire to assure an adequate supply of tin at the lowest possible price.

On grounds of straight procurement (disregarding political conditions in Bolivia) FEA is satisfied that production would continue at substantially the present levels on a 63½¢ basis; that while some of the high-cost mines might close, no reasonable price increase would maintain them in operation. Furthermore, FEA is currently procuring tin from other sources at lower prices.

In view of the financial condition of the tin mining industry and of the Bolivian Government, and owing to the fact that the political situation in Bolivia has been disturbed for over a year (due to one successful revolution and a recent abortive one), and in the light of the present situation of Argentina vis-à-vis the other American Republics (in particular their next door neighbor, Bolivia), it was agreed between State and FEA that the political situation in that part of the Hemisphere has a direct bearing on our making secure an adequate source of supply, as a political upset might well seriously interfere with tin procurement.

In the light of the foregoing, it was jointly determined that a final offer would be made to the producer-Government group of negotiators as follows:

1. The base price of tin between July 1, 1944 and the date of acceptance between producer and Government of the offer to be 62¢ per pound with the smelter schedule presently in force.
2. On the date that this offer is accepted, the price of tin to be 63½¢ per pound of payable tin; the revised schedule of smelter charges proposed on November 4, 1943, to become effective simultaneously, but deductions to be made from such schedule in a manner to yield an additional 1½¢ per pound of payable tin.
3. The State Department will secure an undertaking, through an exchange of notes with Bolivia, to freeze the export taxes now levied on tin at the existing rates.

We concur. November . . ., 1944

Department of State
By Charles P. Taft, *Director*
Office of Wartime Economic Affairs [76]

November 25th, 1944

A. Z. GARDINER

Foreign Economic Administration
By Arthur Z. Gardiner, *Director*
Foreign Procurement and Development Branch

[76] In a letter of December 2, 1944, to Mr. Gardiner, Mr. Taft indicated that he had signed and was enclosing a copy of the memorandum.

811.20 Defense (M) Bolivia/11–2944

Memorandum of Conversation, by Mr. Louis J. Halle, Division of Northwest Coast Affairs

[WASHINGTON,] November 29, 1944.

Participants: Ambassador Andrade of Bolivia
Señor Don René Ballivian, Financial Counselor of the Bolivian Embassy
Mr. Wright, NWC
Mr. Halle

The Bolivian Ambassador came in at his own request, accompanied by Mr. Ballivian. He said he had now heard from his Government in response to the tentative proposal for an amendment to the tin contract made by representatives of the FEA on November 23. The Government proposed that the United States proposal be revised in accordance with the following considerations:

During the tin negotiations held in 1943,[77] the United States had offered a price of 63½ cents retroactive to July 1 of that year. The negotiations had been broken off before their conclusion as a consequence of the December 20 revolution and the subsequent period in which the United States did not recognize the new Bolivian Government. At the outset, the new Government had felt so convinced that the charges made against it would be proved false within a month or so that it had expected a resumption of normal relations between the two countries by January or February of this year. Presumably, with the resumption of such relations the tin negotiations would be resumed and the offer of 63½ cents, retroactive to July 1, 1943 would stand good. The Bolivian Government, having to take some basis for estimating its income in preparing its budget, had taken the 63½ cents, retroactive to July 1, 1943. The unfortunate prolongation of the period of nonrecognition had not been Bolivia's fault. Furthermore, by taking a cent and a half off the base of the smelter schedule rather than adding it to the price of tin, the Bolivian Government would receive no increase in taxes from the one and a half cent concession. Therefore the Government suggested that (1) the price increase be made retroactive to July 1, 1943; or, if this was not possible, that (2) the price of 63½ cents be made retroactive to July 1 of this year, rather than beginning on the date of a new agreement, in order to compensate for the factors he had just outlined.

Mr. Wright made it quite clear that, when the offer of 63½ cents had been turned down last year and when the negotiations had come to an end, the offer no longer had any validity whatsoever and could not justifiably be made a basis for the calculation of the Bolivian Government's income. He said further that the proposal now under con-

[77] See *Foreign Relations*, 1943, vol. v, pp. 552 ff.

sideration had not been cleared by the Board of the U. S. Commercial Company [78] and he indicated that it was being very seriously questioned in certain quarters here. He said the only legal justification the FEA had for a price increase was that it would benefit production, and that such a price increase could not be made on any terms that would result in a restriction of production. Consequently, as had been discussed in the course of the tin negotiations, there would have to be formal agreement in connection with an amendment to the tin contract, that the Bolivian Government would not increase its taxes on tin. He referred to the difficulties encountered in arriving at the present proposal, since the original disposition within this Government had been to continue the price of 60 cents, and he said that there was no question of going beyond the terms offered in the present proposal.

The Ambassador asked how Mr. Wright's comment on the need of an agreement to prevent an increase in Bolivian taxes on tin would apply to a revision of taxes for the purpose of preventing excess profits. He pointed out that Patiño [79] had remained in New York, taking no part at all in the negotiations, but that the result of these negotiations, if the tax structure remained unaltered, would be to put $2,000,000 additional profits into his pocket. He said that, having come up here to participate in the negotiation of a new price agreement that would assist the Bolivian Government in its difficulties, he could not go back home and say that the net result of his efforts had been to increase the wealth of Patiño. He said his own career would be definitely finished in such case. Mr. Wright replied that he was referring only to export taxes.

Mr. Wright then undertook to speak frankly to the Ambassador regarding the concern felt in this Government at recent political developments in Bolivia. He said we had confidence in the high-minded and decent elements in the Government represented by President Villarroel, by Foreign Minister Chacón, and by the Ambassador himself. However, reports reached us from every direction that these elements were being pushed aside in La Paz and that the real power was falling into the hands of an irresponsible and extremist group. He alluded to the very bad impression that had been created here by the recent execution of eight persons in La Paz for alleged complicity in the abortive revolution of November 19, and to the fact that President Villarroel and Minister Chacón had apparently not been consulted in connection with this deed. He also referred to the recent political maneuver involving Major Inofuentes.[80] He mentioned that

[78] A United States Government instrumentality, successor to the United States Purchasing Company.

[79] Simón I. Patiño, president of the Patiño Mines and Enterprises, Inc.

[80] Maj. Clemence Inofuentes, said to have been elected and to have resigned from the vice presidency earlier in November.

Ambassador Thurston had expressed our concern to Minister Chacón about this matter. He said we were the friends of Bolivia and wished to be of assistance, but the political situation to which he referred created great difficulties for us.

The Ambassador said he felt he could assure us that no more such political killings would occur. He said further that our cooperation in the matter of the tin contract would strengthen himself and the elements he represented.

Mr. Wright said it was felt that a favorable offer on the price of tin by this Government might, rather, be taken by the extremist elements in Bolivia as an encouragement to further extreme action on their part. Actually, Mr. Wright said, the Ambassador could claim credit with his Government because, since he had arrived in Washington, he had succeeded in obtaining an offer that was almost five cents better than what was being offered before his arrival. The Ambassador asked whether there would be any possibility of making this clear in La Paz through our Embassy there. Mr. Wright said we would be glad to give the matter thought and that, in any case, there was a possibility he might be able to visit La Paz for a day or two in the course of his forthcoming trip to Chile.

The Ambassador expressed his appreciation of Mr. Wright's frankness. He said he was going to Miami tomorrow to meet his family and, after his return to Washington next Monday (December 4), would communicate further regarding the tin negotiations with Mr. Halle.

824.6354/12–744

Memorandum of Telephone Conversation, by Mr. Louis J. Halle, Division of Northwest Coast Affairs

[WASHINGTON,] December 7, 1944.

In the course of a telephone conversation this afternoon, I asked Mr. Ballivian whether he knew that the group of tin producers had written a letter to the FEA regarding this Government's proposal for an amendment to the tin contract. He said Mr. Adolph Blum, General Manager of the Hochschild Interests, had mentioned the matter casually in the Embassy yesterday, but that he had not seen the letter. I told him, for his personal information, that the letter accepted the proposal on certain conditions which I believed were not unreasonable and would not be unacceptable to the Bolivian Government, since they had to do with guarantees that the Government would take no action to increase the costs of production. He said the necessity of such guarantees was clearly understood.

He also told me that after the conversation of November 29 between the Ambassador, himself, Mr. Wright and me regarding certain

observations made by the Bolivian Government on the United States proposal, the Ambassador had cabled La Paz for instructions. Mr. Ballivian felt certain those instructions would be to accept the proposal, and he rather thought they would be forthcoming this afternoon or tomorrow.[81]

DISCUSSIONS CONCERNING BOLIVIAN-UNITED STATES TRADE AND SHIPPING PROBLEMS

824.24/927

The Secretary of State to the War Shipping Administrator (Land)

WASHINGTON, December 24, 1943.

MY DEAR ADMIRAL LAND: With reference to the situation in Bolivia, the Department has not as yet authorized the recognition of the revolutionary government in La Paz [82] and proposes to withhold such action for the immediate present.

I have written a letter to Mr. Leo Crowley [83] indicating the policy to be followed in our economic relations with Bolivia and requesting that certain action be taken in matters of export control.

The requested procedures include that the Foreign Economic Administration hold without action until further notice all applications for license to export to Bolivia. Paralleling that action, I request that the War Shipping Administration hold without action until further notice all applications for freight space for goods destined for Bolivia which have been certified by the Foreign Economic Administration to the War Shipping Administration, not to issue ODT [84] Permits in connection therewith and not to facilitate further bookings for merchandise which may be already listed on the Cargo Eligibility Lists.

The Department is giving serious consideration to requesting the War Shipping Administration to instruct its port representatives to take up, as quietly as possible, with individual ship operators the holding back of existing Bolivian cargo for which space has already been booked, and the substitution of cargo for other West Coast of South American ports. It is recognized that it might be impossible short of cancellation of all outstanding export licenses to prevent the loading of certain timber on the West Coast and other products on ships fixed for sailing in the immediate future. The Department is still considering whether either the former or the latter steps should be

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[81] The amended contract was agreed to on March 3, 1945.
[82] For correspondence on the recognition problem, see pp. 427 ff.
[83] Foreign Economic Administrator; letter of December 24, 1943, not printed.
[84] Office of Defense Transportation.

taken and requests that no action be taken of this sort pending a further communication to you.

At the present time the Department does not consider it advisable to make any public announcement of the control measures indicated above and it is requested that the War Shipping Administration not issue any bulletin or administrative order for public consumption revealing the action to be taken.

It is suggested that details relating to this policy be taken up by your staff with the Department through the regular liaison channels. I shall be pleased to inform you from time to time regarding developments in Bolivia and in our policy towards the revolutionary government.

Sincerely yours, CORDELL HULL

824.24/927

The War Shipping Administrator (Land) to the Secretary of State

WASHINGTON, December 30, 1943.

MY DEAR MR. SECRETARY: Reference is made to your letter of December 24, 1943 concerning action which you desired to have the War Shipping Administration take with respect to shipments to Bolivia. In accordance with your request, the following steps have been taken by us:

1. The Cargo Clearance Office in New York has been instructed, until further notice, to treat all cargo presently available and unbooked as ineligible for shipment.
2. The Grace Line and the Chilean Line have been instructed to discontinue bookings for Bolivia until further notice.
3. The two above named lines are being allowed to ship all cargo en route to or at port. It is to be understood, of course, that all of this cargo was documented and booked prior to receipt of your letter. The amount of cargo in this category on United States controlled vessels is 4,737 tons. These vessels, three in number, are expected to sail within the next week or ten days. The Chilean Line has a vessel sailing in the last half of January and some cargo, probably not exceeding several hundred tons, is en route to or at port.
4. The steamship lines concerned have been instructed to cancel bookings on any cargo which is not en route to or at port. In this category, is one cargo of coal and 1,250 tons of lumber on United States vessels and an undetermined amount of cargo, probably around 1,000 tons, on a Chilean vessel.

The only persons informed of the above actions have been those immediately involved in carrying them out. The number has been held to the minimum. Should you require any further information or

action within the general scope of your letter of December 24, I suggest that such matters be taken up with Mr. J. C. Corbett.[85]

I would be pleased to receive from you information regarding developments in our policy towards the revolutionary government in Bolivia, with special reference, of course, as to whether these developments require further action on our part.

Sincerely yours, E. S. LAND

824.24/940a

The Secretary of State to the War Shipping Administrator (Land)

WASHINGTON, January 1, 1944.

MY DEAR ADMIRAL LAND: Pursuant to my letter of December 24, 1943 outlining a temporary policy to be followed by the Foreign Economic Administration in connection with export-import operations relative to Bolivia, I now have to inform you that the Emergency Consultative Committee for Political Defense, sitting in Montevideo, has passed a resolution[86] recommending joint inter-American consideration of questions related to the recognition of new governments instituted by force. I have sent to the Honorable Dr. Alberto Guani, President of the Emergency Consultative Committee for Political Defense, a communication[87] accepting, on behalf of our Government, the recommendation of the Committee and expressing our Government's readiness to consult and exchange information with the other American Republics which have declared war against or have severed diplomatic relations with the Axis in situations to which the resolution applies. A copy of the resolution and my reply thereto is enclosed herewith, for your information.

I am of the opinion that the present situation in Bolivia is one to which the resolution applies.

In view of these developments and pending the joint consultation contemplated by the resolution, I have decided that the temporary restrictions on the handling of export shipments for Bolivia should be lifted and that the previous procedure should be resumed. I am likewise requesting Mr. Leo T. Crowley, Foreign Economic Administrator, to lift the restrictions on the approval of export licenses for Bolivia.

I shall be pleased to keep you advised of all further developments in this matter.

Sincerely yours, CORDELL HULL

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[85] Assistant to the Assistant Deputy Administrator for Ship Control, War Shipping Administration.

[86] Resolution XXII; for text, see Emergency Advisory Committee for Political Defense, *Second Annual Report*, July 15, 1943–October 15, 1944 (Montevideo, 1944), p. 79. For correspondence on United States interest in the Committee's deliberations, see *ante*, pp. 1 ff.

[87] Telegram of December 27, *Foreign Relations*, 1943, vol. v, p. 35.

824.24/955a : Telegram

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

WASHINGTON, January 12, 1944—11 p. m.

57. The Department refers to the export control problems as reported in Embassy's No. 83 of January 7, 6 p. m., No. 97 of January 9, 2 p. m., and No. 118 of January 10, 8 p. m.[88]

The Embassy should continue to refuse to receive Import Recommendations from the Banco Central, in as much as the Banco Central is considered by the Department to be officially related to the unrecognized regime, and the Import Recommendation is an official document of that regime.

This refusal on the part of the Embassy should not prevent the Banco Central from continuing to issue Import Recommendations as a means of exchange or import control or from perhaps giving the Bolivian importer the quadruplicate copy for transmission to the American supplier. If this occurs and if such import recommendations are submitted with license applications to FEA,[89] they will be considered as merely informational documents and not as formal recommendations.

Exports of essential mining supplies and equipment now licensed under project or program licenses will be allowed to go forward under those programs.

The FEA, at the request of the Department, will set up appropriate mechanism to review all individual export license applications for Bolivia as presented, with or without Import Recommendations. Those applications which are patently acceptable from the standpoint of (1) absolute essentiality of the material and (2) unquestionable status of consignee will be approved. All doubtful cases will be referred to Embassy by airgram for your comment before approval. Import Recommendations issued prior to December 20, 1943 will be honored. The volume will be controlled so that the elimination of necessity of Import Recommendation will not result in larger export flow to Bolivia.

Appropriate notice will be given to American exporters that, until there is a recognized Government in Bolivia, procedural operations under the Decentralization Plan[90] are temporarily suspended and that licenses for Bolivia will be considered with or without Import Recommendations.

Obviously the above procedure does not constitute an embargo

[88] None printed.
[89] Foreign Economic Administration.
[90] For correspondence on this plan of exports control, see *Foreign Relations*, 1943, vol. v, pp. 106 ff.; with specific reference to Bolivia, see *ibid.*, pp. 132 ff.

against Bolivia and is merely an expedient and desirable variation of procedure in view of the existing situation.

HULL

824.24/956a

The Secretary of State to the Secretary of War (Stimson)

WASHINGTON, January 14, 1944.

MY DEAR MR. SECRETARY: Subsequent to the overthrow on December 20 of the Bolivian Government, this Department has received from officials of the War Department requests for an expression of its views concerning the question of shipments to Bolivia of military equipment under the provisions of the Lend-Lease Agreement concluded with that country on December 6, 1941.[91]

According to that agreement, armaments and munitions of war may be transferred from the United States of America to the Republic of Bolivia. These are not commercial exports but matériel furnished by the Government of the United States to the Bolivian Government. It is the considered opinion of this Department that in the present circumstances, due to the absence of a recognized government in Bolivia, no military equipment of any kind should be sent to that Republic under the provisions of the Lend-Lease Agreement until such recognition is duly accorded.

I shall appreciate it if you will be good enough to convey this information to the appropriate officials of the War Department.

Sincerely yours, CORDELL HULL

824.24/1011 : Airgram

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

LA PAZ, April 4, 1944—5 p. m.
[Received April 10—3 p. m.]

A–136. Reference Export Control Procedure Applied to Bolivia. The participation of the Bolivian Country Agency (the Priorities Section of the Banco Central) is still confused as a result of a lack of existence of a recognized Bolivian Government, and the suspension of the Decentralization Plan as applied to Bolivia.

The Country Agency is endeavoring to maintain its organization and its personnel in the face of considerable opposition anticipating that it will be needed if and when a Bolivian Government is recognized. At a meeting held on March 30, it was decided that the organization would be continued and that Bolivian importers would be encouraged to apply for import recommendations for all commodities

[91] For correspondence on the negotiation of the lend-lease agreement, see *Foreign Relations*, 1941, vol. VI, pp. 422 ff.

subject to allocation, even though import recommendations cannot be accepted or processed by this Embassy. The Country Agency is fully aware that the import recommendations when sent to the United States have an informational character only and are not treated as official documents by the Foreign Economic Administration. The Bolivian Chamber of Commerce and the Bolivian Chamber of Industries, both quasi-official organizations, are supporting the efforts of the Country Agency to maintain the system of import recommendations. However, up to the present time there is no Bolivian law or regulation which stipulates that issuance of an import recommendation by the Country Agency is a prerequisite to the granting of foreign exchange for imports, or for the clearance of imports through the Bolivian customs. Accordingly, not more than 40 to 50% of Bolivian orders placed in the United States are covered by import recommendations at present, according to best estimates. Many importers, objecting to the long delays which their applications have always encountered in the Country Agency, much prefer to order direct from the United States and welcome the suspension of the decentralization plan. The Embassy naturally has refused to advise importers either to obtain import recommendations or to refrain therefrom. The Country Agency is encountering great difficulty in administering estimates of supply since all orders for allocated materials do not clear through the Country Agency. It is not clear whether the Foreign Economic Administration is enforcing the estimates of supply, and if so on what basis the allocations are being granted to various competing importers. The Embassy would welcome any information on this point which may be available in the Department or the F.E.A.

It will be apparent that the existing anomalous state of affairs is highly unsatisfactory and should be remedied at the earliest possible moment. Some importers believe that the unofficial import recommendations issued by the Country Agency facilitate the obtention of export licenses in Washington, while others believe that the unofficial import recommendations have no effect whatever. Many importers are at a loss as to whether they should obtain the unofficial import recommendations and are unable to understand why the Embassy can give them no advice in the matter.

Certain communications from the Department and F.E.A. (as for example Airgram 112 of March 28 [92] from the F.E.A. in regard to lumber export quotas) indicate a lack of understanding of the present situation in Bolivia in regard to export control. The airgram cited mentions "approval of import recommendations" and requests a quarterly report on quantities of lumber by species charged against the quota. Clearly this Embassy cannot approve import recommen-

[92] Not printed.

dations and cannot ascertain quantities charged against the lumber quota under approved import recommendations, when the Embassy has no participation in the processing of import recommendations.

WOODWARD

824.24/1022a

The Secretary of State to the Acting Director, Pan American Branch, Foreign Economic Administration (Bell)

[Extract]

WASHINGTON, April 24, 1944.

MY DEAR MR. BELL: Pursuant to the joint meeting on export control procedure governing exports to Bolivia, held on Wednesday, April 19, 1944, between officers of the Foreign Economic Administration and the Department, I am pleased to confirm herein the understanding reached:

In the interests of policy, the Department requests the Foreign Economic Administration to attempt to maintain the issuance of export licenses for goods moving to Bolivia at a rate which will permit the exports at a volume equal to, but not greater than, the volume exported to Bolivia prior to December 1943. Appreciative of the mechanical problems involved in this type of control, the Department does not expect that such a control can be rigid or mathematical, but rather must be designed to accomplish the objective within a reasonable latitude. Therefore, it is suggested that with regard to allocated, scarce, or otherwise controlled commodities, the Foreign Economic Administration proceed to license exports to Bolivia up to, but not in excess of, the allocations or licensing quotas established for that country; owing to the present shipping stringency it is improbable that exports so licensed at this time will arrive in Bolivia before sixty or ninety days. Regarding unallocated commodities it is believed that the volume involved will be small and unimportant so that the Foreign Economic Administration can grant such applications with relative freedom; should it develop, however, that such applications assume large proportions it may be necessary to re-examine this particular question with a view to limiting the volume licensed.

. . . . . .

HULL

824.24/6–2444 : Airgram

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

LA PAZ, June 24, 1944—11 : 30 p. m.

[Received June 29—1 p. m.]

A–286. Export control procedure for Bolivia following recognition of Bolivian Government. For background please refer to Embassy's

telegram 1966, of December 16, 1943, 6 p. m.[93] and airgram A–136 of April 4, 1944.

1. While the Embassy has not yet consulted the Bolivian authorities, preliminary indications are that the Ministry of Finance, the Ministry of National Economy, the Banco Central and the Country Agency will wish to return to Plan A of decentralization as it was applied in Bolivia prior to December 20, 1943, with import recommendations required for all imports.

2. It is apparent that Bolivian importers, wholesalers, distributors and commission agents will wish to see a suspension of the decentralization plan and a return to pre-war foreign trade practices in so far as practicable, with only the irreducible minimum of governmental intervention either by the United States or Bolivia. In this they are motivated largely by the long delay which they invariably encounter in the processing of applications for import recommendations at the Country Agency, by the considerable amount of clerical work involved in preparing import recommendations and by the requirement that they disclose confidential trade data on the import recommendations.

3. It will be recalled that shortly prior to the Bolivian revolution of December, 1943, the Bolivian authorities had reluctantly agreed, subject to certain conditions which we never accepted, to the adoption of a modified plan of decentralized export control (Alternative III) to go into effect January 1, 1944,[94] whereby certain commodities were to be exempted from the import recommendation requirement.

4. While the Embassy and the local office of the Foreign Economic Administration find the data contained in import recommendations very useful in connection with commercial reporting, Proclaimed List work, requirements estimates and post-war trade promotion, the Embassy does not believe that these considerations justify the retention of a closer degree of emergency export control than the exigencies of the war situation demand. It now appears that there is no valid reason for maintaining a greater degree of export control over American shipments to Bolivia than is generally practiced in regard to American shipments to South American countries.

5. The Embassy therefore, is inclined to use its influence in the direction of a relaxation of the decentralization plan in Bolivia provided the Department and the Foreign Economic Administration perceive no objection thereto. The Embassy believes that import recommendations might well be required only for commodities which are in tight supply in the United States and which could reasonably be placed on a critical or semi-critical list. The recent announcement that the target tonnage for Bolivia has been increased from 6,000

[93] Not printed.

[94] See telegram 1966, December 16, 1943, from La Paz, *Foreign Relations*, 1943, vol. v, p. 146.

to 7,000 tons, reinforces the conviction that mandatory import recommendations for all commodities cannot be justified.

6. However, the system of optional submission of unofficial import recommendations, which has necessarily prevailed during the period of non-recognition is haphazard and confusing to both exporters and importers. It should be abandoned at the earliest practicable moment in favor of a clear cut unambiguous procedure.

7. The Bolivian authorities are desirous of using Plan A of decentralized export control as an implement of Bolivian domestic import and foreign exchange control. The trend toward closer control of non-essential imports and toward the conservation of foreign exchange resources by the Bolivian Government is increasingly apparent here. It is our belief, however, that use of our wartime export controls solely or principally to implement Bolivian domestic controls of imports and exchange which are not directly related to the prosecution of our war effort, would be a perversion of our emergency export controls and would be difficult to defend.

8. The Embassy therefore requests authority to discuss this question immediately with the appropriate Bolivian authorities and to adopt the stand outlined herein. Please reply by telegram.

Wynn and Acton,[96] Foreign Economic Administration, concur and request that FEA be informed and consulted.

WOODWARD

824.24/6–2944

Memorandum by the Assistant Chief of the Division of West Coast Affairs (Lyon) to the Assistant Chief, Division of Foreign Activity Correlation (Hodgdon)

[WASHINGTON,] June 29, 1944.

With reference to my memorandum of June 24[97] to Mr. Duggan[98] concerning lend-lease for Bolivia and to previous conversations with you on this subject, I wish to confirm that (1) lend-lease material which has been held on the docks and in warehouses since last December should now be shipped, and (*b*) the appropriate authorities of the Bolivian Embassy here should be given an opportunity to review the applications of the former regime.

The obligation for payment of lend-lease material delivered to the former Bolivian regime is accepted by the present regime. This

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[96] Sproesser Wynn, Special Representative of the Foreign Economic Administration at La Paz, and Harold T. Acton, Exports Assistant to Mr. Wynn.

[97] Not found in Department files.

[98] Laurence Duggan, Director of the Office of American Republic Affairs.

matter was discussed with Mr. René Ballivian, Commercial Counselor of the Embassy here, who stated that his Government assumed all international obligations and debts of the former regime. I asked Mr. Ballivian if he would be willing, if necessary, to put this in writing and he said he would. Mr. Duggan does not feel that we should request such a letter. He says it is understood that the present Bolivian Government assumes the international obligations of the Peñaranda government.

C[ECIL] B. L[YON]

103.9169/7–644 : Telegram

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

LA PAZ, July 6, 1944—7 p. m.
[Received 9 : 32 p. m.]

1329. For Department and Crowley and Dodson FEA [99] from Embassy Wynn and Acton. Department's 714, July 1,[1] and previous, export control. Bolivia Country Agency today accepted proposed roll-back of Decentralization Plan unconditionally effective July 10. Despatch follows.

MCLAUGHLIN

103.9169 La Paz : Airgram

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

LA PAZ, July 25, 1944—5 p. m.
[Received July 29—2 p. m.]

A–322. For FEA, Bureau of Supplies, Requirements and Supply Branch from Embassy and FEA Special Representative. Reference is made to FEA Current Export Bulletin No. 176 of July 10, 1944, page 3, Section II, Exports to Bolivia.

Rollback of Decentralization for Bolivia, as modified, was announced to local importers by the Bolivian Priorities Committee of the Banco Central to be effective as of July 10, 1944 without qualifications or exceptions. In view of this announcement, much confusion will prevail if importers are advised that export licenses for commodities which now require import recommendations will be granted by the Foreign Economic Administration *without* import recommendations until October 1, 1944.

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[99] Raymond I. Dodson, Assistant to the Director, Pan American Branch, Bureau of Areas.

[1] Not printed.

The Embassy and FEA Special Representative recommend that no change be made in the local announcement of the Country Agency and that American exporters be encouraged not to publicize the October 1st deadline to Bolivian importers. The Embassy and FEA perceive no objection to licensing without import recommendations, until October 1, applications covering commodities on the required list, provided general local publicity is avoided.

McLAUGHLIN

740.24112A/8–344

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

No. 1456 WASHINGTON, August 3, 1944.

The Secretary of State encloses for the information of the Embassy a copy of a circular airgram dated May 19, 1944 [2] which was sent to American diplomatic missions in the other American republics with the exception of Bolivia and Argentina. This airgram concerned a proposal that the Foreign Economic Administration henceforth screen all license applications solely against the Proclaimed and Confidential Lists and that no further names of consignees be forwarded to the missions for a report on their political desirability as consignees. The missions were requested to submit their comments upon this proposal.

On the basis of the replies received, a large majority of which indicated concurrence with the suggested policy, the Foreign Economic Administration has decided in the future to withhold approval of export license applications on intelligence grounds only in cases where the consignee is included in the Proclaimed or Confidential List and to discontinue the policy of referring names of unknown consignees to the missions with the request that a report be forwarded in each case on their political desirability.

The Department will, however, forward to the missions for their information and for a report if circumstances warrant, periodic lists containing the names and addresses of unknown persons named as consignees for merchandise shipped from this country, together with the amount and value of the commodities approved for export.

The circular airgram was not addressed to Bolivia and Argentina in view of the fact that at that time the Foreign Economic Administration was pursuing a different policy with regard to exports to these countries. With the recognition of the Bolivian Government the above-mentioned procedure is now being applied to exports to Bolivia.

[2] Not printed.

740.24112A/8–1844

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

No. 1468 WASHINGTON, August 18, 1944.

The Secretary of State refers to the Embassy's despatch no. 2887 of January 5, 1944 [3] concerning the so-called "black market" in Bolivia.

While the number of black market transactions in the other American Republics varies from country to country, it is safe to say that a large number of remittances are regularly made in violation of exchange and other local laws. So common is the practice that some of the other American Republics have either come to recognize the black market as semi-legal or to wink at it. Furthermore, the surreptitious manner in which these transactions are effected often makes it difficult to ascertain the underlying purpose of the operation. Given the size of the problem and the difficulty of effectively dealing with it, it would not be practicable for the missions to attempt to supervise or control all black market operations as such. Aside from the impracticability of control, the Department desires to avoid the appearance of using its economic warfare sanctions to enforce the laws of the other American Republics.

Notwithstanding the foregoing, the Department is aware of the fact that black market channels furnish a facile medium for making remittances in violation of this Government's wartime controls. Probably a majority of the remittances in this hemisphere which are inimical to the war effort are channeled through the black market both for the purpose of avoiding official control and supervision and for the purpose of preserving the anonymity of the parties in interest. It is desirable and important, therefore, that an effort be made to discover those black market transactions which are in fact inimical to the war effort, as distinguished from those transactions which are merely in violation of local exchange controls.

As the first step towards the discovery of inimical black market transactions, it is desirable to identify those persons who are extensively engaged in black market operations in Bolivia. It would be proper, furthermore, to warn each of them that many transactions inimical to the war effort of the United Nations are effected through the black market; and that they will be expected to use care to avoid being used as a vehicle for remittances involving Proclaimed List nationals or otherwise violating United States wartime controls. In this connection, it is desirable to discourage the practice of accepting and dealing in dollar checks endorsed in blank and not bearing the

[3] Not printed.

endorsement of the parties to the transactions, in as much as this practice frequently serves to cloak the identity of undesirable persons. The Officer in Charge may, in his discretion, discreetly request the cooperation of black market operators and of banks and other financial institutions in reporting suspicious transactions which come to their knowledge.

To supplement the Embassy's investigations the Officer in Charge may wish to forward to the Department, for transmission to Treasury, a list of suspicious black market operators who now use, or may in the future use, dollar facilities. Treasury has informed the Department that it is in a position to obtain factual information concerning the transactions of those dealers and brokers who maintain accounts in New York banks as well as dealers and operators whose names appear as endorsers on dollar financial instruments. This information can be furnished by Treasury either on an *ad hoc* or on a periodic basis.

To summarize, it may be said that the mere violation of local exchange laws does not, in itself, justify the use of sanctions. The test in each case should be whether a violation of the wartime controls of this Government (such as a transaction involving a Proclaimed List national) can be shown. Each such violation should be promptly reported to the Department together with your recommendation regarding what sanctions, if any, should be applied.

In view of the above, it is believed that a general program of requesting all black market operators to sign undertakings [4] would be inadvisable. The standard form of undertaking may, however, be accepted on a selective basis in accordance with the policy outlined in the Department's circular instruction of April 11, 1942.[5]

824.24/9–544

The Secretary of State to the Bolivian Chargé (Dorado)

WASHINGTON, October 4, 1944.

SIR: I transmit herewith two copies of a statement prepared by the Foreign Economic Administration and supporting schedules [5] reporting charges made against the Government of Bolivia for the period from April 1, 1944 through July 31, 1944 covering articles transferred to the Government of Bolivia in accordance with the terms of the Lend-Lease Agreement signed on December 6, 1941 by the representatives of the United States of America and the Government of Bolivia.

It will be noted that the amount of the charges under reference is $8,057.09. It will be noted further that the total charges made

[4] A commitment on the part of a company or individual to refrain from business dealings with others entered on the Proclaimed List.

[5] Not printed.

through July 31, 1944 for all defense articles transferred to the Government of Bolivia aggregate the grand total of $2,506,294.99.

The Department will submit at a later date an additional statement prepared by the Foreign Economic Administration which will report similar charges made subsequent to July 31, 1944 and which do not appear in the enclosed statement.

In its note of July 13, 1944 the Department indicated that the reimbursement installment in the amount of $450,000 which represents the appropriate percentage due from the Government of Bolivia on defense articles already delivered, could be effected by the Government of Bolivia in the form of a check made payable to the "Treasurer of the United States of America". However, it would be appreciated if instead the check could be made payable to the "Treasurer of the United States, for the Account of the Foreign Economic Administration." It would be appreciated if the check were sent to this Department for appropriate disposition.

For reasons of military security may I request that the enclosed schedules be treated by your Government on a most confidential basis.

Accept [etc.] For the Secretary of State:
G. Howland Shaw

824.24/10–2644

The Assistant Secretary of State (Acheson) to the Foreign Economic Administrator (Crowley)

Washington, October 26, 1944.

My Dear Mr. Crowley: As you are aware, in carrying out this Government's policy with regard to the present Government of Argentina, this Department has felt special concern for eliciting and maintaining the full cooperation of those American republics that border on Argentina and are, consequently, especially susceptible to Argentine influence. This Department considers it of particular importance, therefore, that Bolivia maintain its foreign policy along lines of cooperation with the United States rather than with Argentina. The Bolivian Government has oriented its foreign policy along such lines, and as a consequence has exposed itself to the possibility of economic retaliation from Argentina. Bolivia is particularly vulnerable in this respect because of her large measure of dependence on the importation from Argentina of essential supplies, particularly of food.

Now, apparently as a result of Bolivia's cooperation with the United States, the Argentine Government has informed the Government of Bolivia without warning that beginning immediately, and for a continuing period of six months, Argentina will reduce its shipments of wheat to Bolivia by fifty percent. This creates a most serious situa-

tion for the Bolivian people since they are in large measure dependent on the Argentine supplies of wheat.

The Department feels that this Government must render such assistance to Bolivia as will meet this situation on three grounds: (1) this Government has a moral obligation to protect Bolivia against the consequences of its cooperation with the United States; (2) this Government is committed to use its best efforts to maintain the economies of the American Republics cooperating in the war; and (3) it is in the vital national interest of this country to insure the continuance of Bolivia's cooperation with the United States rather than with Argentina.

As a result of conversations between officers of the Foreign Economic Administration and the Department, the Foreign Economic Administration has cooperated by diverting to Arica a ship carrying 9,132 long tons of Australian wheat for trans-shipment at Arica to La Paz. Owing to the fact that the exact price at which this wheat might be sold to Bolivia is not yet determined and might be considerably below the basic Australian price laid down in La Paz, and in view of the length of time which would be needed to replace the shipment were it rediverted, the Department requests that the Foreign Economic Administration and the U. S. Commercial Company do not redivert the ship destined for Arica, but rather allow it to continue on its course. In the event the wheat actually is sold to Bolivia, the Department will in a subsequent letter to the Foreign Economic Administration give the necessary directive to cover such subsidy payment, if any, as may be necessary on this particular shipment. If for any reason Bolivia does not purchase the wheat and an unavoidable loss is suffered by the Foreign Economic Administration or the U. S. Commercial Company, this request made on political grounds should furnish you with adequate justification for your action in allowing the shipment to continue to Arica.

Sincerely yours, DEAN ACHESON

824.24/11–344

Memorandum by Mr. James H. Wright, Assistant to the Director, Office of American Republic Affairs[7]

[WASHINGTON,] November 3, 1944.

I refer to the conversation Mr. Halle[8] and I had with Colonel Pacheco[9] of the Bolivian Embassy, as summarized in the attached memorandum of October 31.[10]

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[7] Addressed to Joseph E. Johnson, Assistant Chief in Charge of the Inter-American Section, Division of American Republics Analysis and Liaison; Philip O. Chalmers, Assistant Chief, Division of Brazilian Affairs; and Francis G. Jarvis, Aviation Division. All indicated approval.

[8] Louis J. Halle, Division of Northwest Coast Affairs.

[9] Lt. Col. Alfredo Pacheco, Bolivian Military and Air Attaché.

[10] Not printed; the memorandum is filed under 824.24/10–3144.

NWC [11] feels it would be desirable for Bolivia to receive some portion of the Lend-Lease materials for which application has been made. It is especially desirable that at least several airplanes, preferably transports designed for operation at Bolivian altitude, be made available if justification for doing so can be found under the Lend-Lease policy. Consequently, it is believed that it would be advisable for the Department's representative at such meetings of the military authorities as will be held to pass on the Bolivian application for C–47's, to express the desirability of providing some of these planes, if such provision can be justified under Lend-Lease in the estimation of the military authorities.

JAMES H. WRIGHT

824.24/12–2644

Memorandum of Conversation, by Mr. Louis J. Halle, Division of Northwest Coast Affairs

[WASHINGTON,] December 26, 1944.

Participants: Mr. Ballivian—Bolivian Embassy
Mr. Moscoso Douglas [12]—Bolivian Embassy
Mr. Johnson (RL) [13]—State
Mr. Jarvis (AD) [14]—State
Mr. Halle

At the suggestion of the Bolivian Ambassador, Mr. Douglas and Mr. Ballivian came in to discuss current lend lease problems. Mr. Douglas was acting for Colonel Pacheco, who has been confined to his home by illness. Mr. Douglas said that under date of November 13 he had received a letter from the War Department informing him that some fifteen AT–6 training planes were being assigned to Bolivia under Lend Lease, that they would be ready at San Antonio, Texas, in the first days of December and that Bolivian pilots should be on hand to take delivery since the planes would not be held indefinitely. Consequently, fifteen pilots and two mechanics had been brought up from Bolivia and are now sitting idly in San Antonio awaiting the delivery of the planes. Meanwhile, Mr. Douglas has been orally informed by Captain Powell in the War Department that the prospects of delivery are uncertain and that even if the planes arrived at San Antonio by the end of December, they could not be delivered before the end of January. Mr. Johnson and Mr. Jarvis agreed to get in touch with Major Roberts in order to find out precisely what the sit-

[11] Division of Northwest Coast Affairs.
[12] Col. Oscar Moscoso Douglas, Military and Air Attaché.
[13] Joseph E. Johnson, Assistant Chief, Division of American Republics Analysis and Liaison.
[14] Francis G. Jarvis, Aviation Division.

uation might be, and they suggested that Mr. Douglas also talk with Major Roberts.

Mr. Douglas also expressed the hope that the Department could be helpful in obtaining under Lend Lease some Stearman planes that were needed for the use of the United States Aviation Mission.

Mr. Douglas mentioned the three hundred jeeps and two hundred trucks for which application had been made and said he felt Bolivia was entitled to favorable consideration in view of the fact that it had not received nearly as much Lend Lease as had been promised. He ventured the opinion that Bolivia had received less favorable treatment under Lend Lease than the other American republics, while making a contribution to the war effort second to none except for that made by Brazil. He felt that these jeeps and trucks had been promised and represented an obligation on the part of the United States. Mr. Johnson informed him of the urgent need that is now felt for ground transportation equipment at the war fronts, which need took priority over other needs and kept this equipment in very short supply.

Mr. Douglas said arrangements had been made through the War Navy Petroleum Board for the provision of 13,000 or 14,000 drums of gasoline, together with certain other petroleum products to Bolivia.

The Navy had informed the Bolivian Army Purchasing Commission that the Combined [*Joint*] Chiefs of Staff had decided that gasoline would not be provided under Lend Lease. However, Mr. Douglas felt that, because Bolivia had received inequitable treatment on Lend Lease an exception should be made whereby this gasoline would be lend-leased to Bolivia. He indicated that Bolivia could not pay for it. The persons that Colonel Pacheco and Mr. Douglas had been dealing with on this matter were Admiral Carter,[15] Captain Evans and Lieutenant Commander Milbraugh. It was agreed that the Department would look into this.

824.24/12–2844

Memorandum by Mr. Phil R. Atterberry, Division of Financial and Monetary Affairs, to Mr. Louis J. Halle, Division of Northwest Coast Affairs

[WASHINGTON,] December 28, 1944.

I refer to your telephone conversation today with Mr. Barber[16] and submit the following confidential information relative to the

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[15] Presumably Rear Adm. A. F. Carter, Executive Officer, Army-Navy Petroleum Board.

[16] Willard F. Barber, Assistant Chief, Division of Financial and Monetary Affairs.

present status of Lend-Lease payments due from Bolivia under the Agreement:

$2,506,294.99—Total scheduled cost-value to the United States of material transferred to Bolivia under Lend-Lease through July 31, 1944, as reported by FEA.

$ 450,000.00—Approximate appropriate percentage of payment due from Bolivia under the Agreement.

Bolivia has been requested on two occasions to make a payment. On July 13, 1944 the Department sent the first billing (Statement LL–1) [17] to the Bolivian Embassy and requested a payment on account in the amount of $450,000 which represented the approximate appropriate percentage due under the Agreement. On October 4, 1944 the Department sent the second billing (Statement LL–2) and repeated its earlier request for payment.

To date no payment has been received, nor has Bolivia indicated when a payment may be expected.

Please observe that (1) a payment on December 3, 1942 from Bolivia in the amount of $333,333.33 was returned by the Department with the explanation that until schedules of material transferred were prepared, it would be impossible to determine the amount which Bolivia owed this Government—the first of these schedules (Statement LL–1) was transmitted in the above-mentioned note of July 13, 1944; (2) Lend-Lease to the other American republics includes only military equipment and is based on the premise of hemispheric security against possible enemy invasion—a possibility which now appears beyond the realm of probability—consequently a precedent should not be established which would permit the use of Lend-Lease material for national or political protection, and moreover, the time is opportune for the adoption of a policy which would require that payments due on account be liquidated before further material is transferred under Lend-Lease.

The foregoing represents a brief history of the status of Lend-Lease payments due from Bolivia. Any assistance toward making a collection would be appreciated.

Permit me to emphasize the secret nature of the above information, particularly with respect to the value of material transferred and the amount of payment requested. Such amounts pertain solely to Bolivia and any reference thereto should be closely guarded since no two Lend-Lease Agreements with the other American republics are identical as concerns the terms of repayment.

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[17] Not printed.

EFFORTS TO SECURE THE COOPERATION OF THE BOLIVIAN GOVERNMENT IN THE CONTROL OF FINANCIAL TRANSACTIONS INVOLVING THE AXIS [18]

740.24112 RP/42 : Telegram

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

LA PAZ, January 29, 1944—10 a. m.
[Received 12 : 41 p. m.]

370. After Fletcher [19] had provided officers of this Embassy with the information reported in the first substantive paragraph of this Embassy's telegram No. 320, January 25, 6 p. m.,[20] he discussed the same subject with Egger [21] in the belief that he was the best available person to explain a feasible replacement program to Villarroel.

Egger has now informed Ramsey [22] that at Fletcher's suggestion Villarroel has requested that Egger come to see him this morning, January 29. Egger will take this opportunity to present to Villarroel what appears to be a very workable replacement program and procedure he has drawn up involving no financial assistance from the United States. Egger believes that the Junta [23] will promulgate an expropriation decree sometime next week. The Department will recall that this Embassy has already reported that the Junta had drawn up and approved (but not promulgated) a decree providing for expropriation and replacement of Axis firms.[24]

In addition to the information reported in this Embassy's 320, January 25, 6 p. m., Fletcher subsequently informed the Embassy that Villarroel had seemed very earnest in his desire to expropriate Axis firms and that in addition to his concern about obtaining qualified technical assistance he was at a loss to know how to proceed without disturbing the distribution system in certain large areas of the country. Villarroel also expressed dissatisfaction with the present interventor system and inquired of Fletcher whether his company might be able to intervene as well as appraise Axis firms.

BOAL

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[18] Continued from *Foreign Relations*, 1943, vol. v, pp. 578–606.

[19] Edward Fletcher, British Manager of Price, Waterhouse Company.

[20] Not printed; in it Mr. Fletcher reported that the head of the governing Junta, Maj. Gualberto Villarroel, desired technical assistance to operate or sell Axis assets (824.01/439).

[21] Roland A. Egger, Manager of the Bolivian Development Corporation.

[22] Presumably Henry C. Ramsey, Embassy staff member.

[23] For correspondence on the problem of recognizing the Junta, see pp. 427 ff.

[24] The decree defined these as commercial and industrial organizations that were controlled by or belonged to firms or subjects of countries with which Bolivia was at war.

740.24112 RP/53 : Telegram

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

LA PAZ, February 18, 1944—10 a. m.
[Received 8 : 30 p. m.]

505. Developments in connection with the control and expropriation of Axis firms as provided in the expropriation decree of February 11 (reported in my telegram 472 of February 12)[25] are:

1. The Junta and the members of the Economic Defense Board having Cabinet rank have held daily meetings this week toward the end of preparing and promulgating the decree law mentioned in article 2 of the expropriation decree. This decree law issued to prescribe in considerable detail the procedure to be followed in the expropriation and replacement of Axis firms.

2. It is very likely that considerable of the social philosophy of the Junta will be incorporated in the decree law and that an attempt will be made to provide for the transfer of Axis assets to existing organizations of workers, to cooperatives to be formed and to small businessmen rather than to the large existing Bolivian firms.

3. The Economic Defense Board has issued instructions to interventors to remain on duty during the entire business day of intervened firms and to supervise rigidly all transactions toward the end of preparing the firms for audits and appraisals. I have obtained authentic data on the intervened firms which discloses that at the present time 33 Axis firms and branches are intervened. This includes 13 Japanese firms in La Paz and the interior which were intervened by Junta.

4. The Banco Central and all commercial banks were instructed by the Economic Defense Board on February 11 to deny all banking facilities to Axis firms. Inasmuch as this broad directive might be interpreted to include non-Proclaimed List firms owned by desirable German nationals (including German-Jew refugees) the banks have asked clarification but in the meanwhile are observing the directive in respect of Axis firms on Proclaimed List. The Economic Defense Board on February 14 directed the banks to grant full banking and exchange facilities to intervened firms on the sole responsibility of the Interventors on the grounds that the Interventors had been given plenary powers of management and responsibility. The banks have asked that this directive which countermands its predecessor of February 11, be clarified. Presumably it does not contravene the Paz Estenssoro[26] directive governing exchange to Axis firms reported in our telegram 399 of February 2.[27]

[25] Not printed.
[26] Victor Paz Estenssoro, Minister of Finance under the Junta.
[27] Not printed; this was an instruction to the Banco Central to limit exchange for Axis-tainted firms to those importing from Argentina (824.5151/380).

5. The Banco Central continues to pursue a very rigid policy toward granting foreign exchange to Axis firms and a study of the exchange sales by the La Paz branch of the bank to Axis firms since the revolution indicates that less than $12,000 has been sold. Most of this was granted to finance the importation of Axis drugs from Argentina. In so far as the Embassy can determine, there has never been a comparable period since the outbreak of the war in which so little foreign exchange has been granted to Axis firms.

6. The La Paz newspapers have carried extensive articles on the subject since the promulgation of the expropriation decree. It is apparent that the Axis elements are extremely worried. Borgolte[28] is trying to sell; Elsner[29] is trying transfer his assets to Bolivian born minor children; and a recent intercept indicates that Kyllmann Bauer[30] is seriously apprehensive.

WOODWARD

740.24112 RP/56 : Telegram

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

LA PAZ, February 19, 1944—3 p. m.
[Received February 20—1 : 50 a. m.]

514. The regulatory decree law implementing the expropriation decree law of February 9 and providing the procedure to be followed in the expropriation and transfer of Axis firms was approved and signed by the Junta February 18. Victor Andrade[31] handed me a copy of the document last night and a translation is being forwarded in the courier pouch which left here February 19. The decree contains 28 articles and provides in considerable detail all steps to be observed in the expropriation and transfer procedures. It does not, however, provide a procedure for financing the expropriations and in this connection expressly provides that the financial pattern to be followed will be provided for in a subsequent decree. Andrade informed me that the Junta is satisfied with the decree but will not promulgate it until it has determined the suitable and constitutional procedure to be followed in financing transfers.

[Here follows summary of decree.]

WOODWARD

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[28] Rodolfo Borgolte, included on the Proclaimed List.
[29] Bernardo Elsner, included on the Proclaimed List.
[30] Kyllmann, Bauer y Cía, a wholesale food company that imported extensively from Argentina, and was also included on the Proclaimed List.
[31] Minister of Labor and Health.

740.24112 RP/57 : Telegram

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

LA PAZ, February 19, 1944—4 p. m.
[Received February 20—4 : 35 a. m.]

515. Reference my telegram No. 507, February 18, 1 p. m.[32] and 514, February 19, 3 p. m. In connection with the viewpoints expressed by Junta Ministers that it might well be perilous for the Junta to proceed to transfer and replace Axis firms without the financial assistance of the United States the following points are set forth.

1. To the best of my knowledge there has been no intimation by anyone connected with the American Government in Bolivia to any person having connections with the Junta that financial assistance might be expected or that the Export Import Bank credit made available by the October exchange of notes[33] might be made available to a newly recognized Bolivian Government. Egger asserts that he has made this point clear to Villarroel who expressed his understanding of the fact that the conditions under which financial assistance was offered to the Peñaranda Government of course do not exist at the present. I have asked all United States Government personnel to avoid discussion of the possibility of such financial assistance if confronted with the question; the point is appreciated fully by members of the British Legation who are in contact with Junta Ministers.

2. Egger, McConaughy[34] and Ramsey, the persons who have the most intimate knowledge of the possible necessity of financial assistance, all believe that it is entirely possible for the Junta to proceed with the replacement program without our financial help. They believe that the most appropriate procedure to follow is for the Junta to sell bonds to the Banco Central for the amount of the sale price of each expropriated property as it is expropriated, to have the bank purchase such bonds by simply entering a credit to the frozen accounts of the dispossessed owners in the amount of the face value of the bonds thus sold, and to have the new purchasers make progress payments into a special fund to retire the bonds. This technique would require no exchange of money (except perhaps in a bookkeeping sense), would require no advance of money except such as might be withdrawn from frozen accounts for subsistence expenses, would not tend inflate the currency and would not increase the internal debt. Progress payments (which should be rapid in connection with stocks because of the quick turnover) should more than offset

[32] Not printed.
[33] For texts of the notes, dated September 16 and October 4, 1943, see *Foreign Relations*, 1943, vol. v, pp. 604 and 605, respectively.
[34] Walter P. McConaughy, Commercial Attaché in Bolivia.

necessary advances of money for subsistence expenses. Furthermore, this technique would in the opinion of qualified Bolivian lawyers satisfy the Bolivian constitutional requirements of compensation for expropriated properties whereas there is considerable doubt whether the issuance of government bonds directly to dispossessed owners would satisfy these constitutional requirements. It would appear that payments for expropriated stocks should certainly be before the termination of the war (at which time presumably frozen accounts would be unblocked) and that substantial payments for expropriated real estate might also be made during such period. Any balance owed on frozen accounts at the time of their being unblocked might be well within the capacity of the Bolivian Government to finance at that time.

(3) According to *El Diario* of February 17 the Junta believes that the value of the Axis properties marked for expropriation and transfer is approximately $4,000,000 dollars. With this figure in mind I believe the above procedure is feasible.

(4) Although the above procedure appears to be one which would obviously suggest itself to the Junta there is no assurance that it has been considered.

WOODWARD

740.24112 RP/74 : Telegram

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

LA PAZ, April 5, 1944.
[Received April 6—12 : 18 a. m.]

810. Reference despatch 3200, February 19 [35] expropriation of Axis firms. The prospective regulatory decree law transmitted with the reference despatch was reapproved by the Junta on March 31 and was published in April 5 *La Razón*. The text as published today contains only minor changes from that given in the enclosure to the cited despatch. According to the text released today the Economic Defense Board is required to approve the fair appraised value of the firms to be expropriated and penalties are provided for reductions in the capital of Axis firms as of March 31, 1944 compared with December 31, 1941. When they cannot be explained to the satisfaction of the Economic Defense Board the presumption being that such reductions represent flight of capital and illicit foreign exchange dealings interventories [*interventors*] are given until April 30 to submit their statements of account and inventories of the intervened firms. No specific provision is made for the financing of the program by the Bolivian Government.

Full text being sent by airmail.

WOODWARD

[35] Not printed.

740.24112 RP/82

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

[Extract]

No. 3692 — La Paz, May 8, 1944.
[Received May 16.]

Sir: I have the honor to refer to the proposed program to replace Axis firms in Bolivia and to this Embassy's strictly confidential despatch No. 3488 of April 7, 1944,[36] in which it was reported that a number of the major Proclaimed List firms (including Kyllmann, Bauer y Cía., Juan Elsner y Cía., Zeller de Mozer y Cía., and the Bernardo Elsner (PL)[37] and Joaquin Bauer (PL) interests) had petitioned the Economic Defense Board of Bolivia for permission to transfer their assets to certain Bolivian employees and to Bolivian-born heirs of the present Axis owners. The despatch under reference reported that the Economic Defense Board had referred the petitions to the Bolivian Fiscal de Gobierno (Government Legal Counsellor) and that it was generally believed that the motivation behind the proposed transfers was to avoid any possible effects of the two expropriation decrees promulgated by the Provisional Government of Bolivia (see this Embassy's despatches No. 3188 under date of February 18, 1944, and No. 3200 under date of February 19, 1944 [38]).

The Embassy has learned that the Bolivian Fiscal de Gobierno has furnished the Economic Defense Board with a legal opinion to the effect that the proposed transfers are legal under existing Bolivian law, that the Board convened on May 4, 1944, to consider the opinion and the proposed transfers, and that the Board now finds itself in the dilemma of reconciling Bolivian law with what it believes to be the questionable legality of the recently promulgated expropriation decrees and its desires to accede to the spirit of the Resolutions of the Inter-American Conference on Systems of Economic and Financial Control [39] as an evidence of cooperation with the war effort of the United Nations.

. . . . . .

Respectfully yours, For the Chargé d'Affaires a.i.
Walter P. McConaughy
Commercial Attaché

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[36] Not printed.
[37] Proclaimed List.
[38] Neither printed.
[39] For correspondence on the Conference held at Washington, see *Foreign Relations*, 1942, vol. v, pp. 58 ff.; for texts of the 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, June 30–July 10, 1942* (Washington, 1942).

740.24112A/246 : Airgram

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

LA PAZ, May 11, 1944—5 p. m.
[Received May 20—11 a. m.]

A–199. Reference is made to this Embassy's despatch No. 2351 under date of October 8, 1943,[40] relating to the possibility of post-war sanctions against Proclaimed List firms, and to the Department's telegram no. 1445 of December 20, 1943,[40] which stated that discussions were being held on the matter.

On May 4 and 5, two La Paz newspapers (*La Razón* and *Ultima Hora*) carried Reuters despatches from Hot Springs, Virginia and quoted from a speech purportedly made to the American Manufacturers' Association by Mr. Francis H. Russell of the Department.[41] Mr. Russell is quoted as stating, in substance, that the sanctions of the Proclaimed List will not be relaxed immediately upon the termination of the war but the quotation of his remarks in Spanish leaves some doubt as to whether his statement applied only to neutral European nations or to all nations (including the other American Republics) in which the Proclaimed List is maintained.

If the Department perceives no objection, this Embassy should appreciate clarification on the point raised in the preceding paragraph and on the Department's present policy in respect of the post-war application of Proclaimed List sanctions. The Embassy has received queries on the subject which it is not in a position to answer.

WOODWARD

740.24112A/246 : Telegram

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

WASHINGTON, May 25, 1944.

580. Reference your A–199 of May 11. The excerpt from Russell's speech which you refer to is as follows:

It has apparently been assumed by some of the firms that have cooperated with the Axis that the Proclaimed List and the sanctions which are based upon it will terminate with the cessation of hostilities in Europe and that listed firms and individuals will then be restored to normal trade facilities. There is no basis for such an assumption. It need not be stated that this government does not consider the Proclaimed List as an appropriate part of the type of normal peace-time trade policies which it hopes eventually will be established. It is clear, however, that there will inevitably be a transition period from war to

[40] Not printed.

[41] For text of the speech made by Mr. Russell, Chief, Division of World Trade Intelligence, at a meeting of the American Drug Manufacturers Association on May 4, 1944, at Hot Springs, Virginia, see Department of State *Bulletin*, May 6, 1944, p. 405.

peacetime conditions and that the list cannot be withdrawn upon the termination of armed conflict. In view of the total character of the present conflict and its vast impact upon commerce it will necessarily take time to effect adjustments of economic warfare controls. Such adjustments will be carried out with regard to specific circumstances. The problem of eliminating economic warfare controls and in particular the Proclaimed List is believed in general to be capable of prompt solution in regions far removed from the scene of conflict where the spearheads of Axis aggression have been eliminated. The withdrawal of such controls may be expected to be slower with respect to areas adjacent to the scene of conflict and particularly with respect to nationals of, or residents in, neutral countries who have engaged, or who may engage, actively in equipping or servicing the military machine of the enemy—which the Allied Governments are determined to destroy—or who have rendered other important aid to the enemy.

HULL

840.51 Frozen Credits 24/29 : Airgram

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

LA PAZ, June 1, 1944—5 p. m.
[Received June 10—8 a. m.]

A–244. Reference is made to the Department's confidential Circular Airgram of May 25, 1944, 11 a. m.,[42] which requests information concerning the investment "of enemy capital from Europe and capital belonging to Axis and Proclaimed List nationals in the other American Republics . . .[43] by means of various subterfuges in property and enterprises located in the American Republics."

1. Although the matter has been one of careful scrutiny, the Embassy is unaware of any "enemy capital from Europe" being invested in Bolivia since the outbreak of the war. As the Department is aware, there are properties and enterprises owned within Bolivia by Axis nationals and residents of Europe who may claim German citizenship. Examples are Zeller de Mozer y Cía (PL), La Papelera de J. Von Bergen (PL), Ferretería Findel (PL), the interest of Guillermo Bauer in Kyllman, Bauer y Cía (PL), and the interest of Juan Elsner in Juan Elsner y Cía (PL). So far as the Embassy is aware, the capital investments of Axis subjects in these firms have not been increased during the war.

2. There is likewise no indication that Proclaimed List nationals in the other American Republics have been since the outbreak of the war or are now investing capital in Bolivia. No one of the spearheads of Axis penetration in Bolivia has branches in other of the American Republics (unless the connection of Juan D. Roiste (PL) of Argentina as purchasing agent for Kyllmann, Bauer y Cía. and

[42] Not printed.
[43] Omission indicated in the original airgram.

Juan Elsner y Cía. be so considered) and it has been the observation of this Embassy that the trend among Proclaimed List nationals and Axis subjects in Bolivia and adjacent countries is to export capital to Argentina rather than to increase capital investments in this country. The Embassy is in possession of reliable information, for instance, that the Axis and Proclaimed List colony in Bolivia has very probably exported in excess of US $7,500,000 to Argentina since the outbreak of war.

3. It is generally believed by the Embassy, therefore, that the capital investment of Axis subjects and of Proclaimed List nationals in Bolivia has quite definitely decreased since the outbreak of the war, rather than increased, and that the trend is toward a further decrease and a liquidation of some of the more important Axis spearheads.

4. There is a tendency, however, among certain Axis elements—particularly the Japanese—to liquidate commercial enterprises but to seek to reinvest the proceeds of such liquidation in agricultural properties. Nothing of any importance has been accomplished by the Japanese along these lines, although the Embassy was seriously but unsuccessfully approached in the autumn of 1943 by Ruben Terrazas, former Minister of Education in the Peñaranda Government, with a proposition which would have permitted a number of Japanese merchants and their employees to acquire and develop extensive holdings in the Yungas section of Bolivia. More recently (since the deportations of May 18, 1944), the Legal Attaché of this Embassy has learned that a prominent Japanese (Vicente R. Ochiay—PL) has expressed an interest in persuading all Japs engaged in commerce in the Department of La Paz to liquidate their holdings and reinvest the proceeds in a large collective agricultural enterprise to be situated on the Altiplano.

5. The subject matter of this airgram has been discussed with the Legal Attaché, who concurs in the conclusions expressed.

6. The Embassy will continue its vigilance in connection with undesirable investments and will report to the Department all instances which come to its attention.

WOODWARD

740.24112 RP/6–2744 : Airgram

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

LA PAZ, June 27, 1944—5 : 00 p. m.
[Received July 5—2 p. m.]

A–292. Reference is made to the Department's instruction No. 1049 under date of October 4, 1943,[44] which enclosed copies of notes ex-

[44] Not printed.

changed between the Department and the Bolivian Ambassador in Washington [44a] regarding financial assistance to be extended by the Export-Import Bank of Washington in connection with the replacement of Axis firms in Bolivia.

This Embassy has every expectation that the question of the status of the notes under reference and the question of financial assistance in connection with the replacement of Axis firms will shortly be raised by the newly-recognized Bolivian Government.

In anticipation of the Bolivian Government's raising the question, this Embassy should greatly appreciate the Department's reviewing the subject of financial assistance in connection with the proposed replacement program with the Export-Import Bank and informing it of the policy to be adopted in respect of (*a*) the status of the notes, and (*b*) the broad general question of financial assistance. The essential question would seem to be whether the offer made to the Peñaranda Government redounds to the benefit of the Villarroel Government in the event the latter fulfils the necessary conditions enumerated in the Department's note, or whether the failure of the Peñaranda Government to fulfil the necessary conditions may be asserted as a sufficient reason to consider the offer as having lapsed. Until guidance on these questions has been received, the Embassy does not feel that it is in any position to discuss the question of financial assistance and this may delay the formulation of a method of implementing the proposed replacement program as it is certain that the majority of the responsible members of the Bolivian Government who are interested in the replacement program believe in the necessity of financial assistance.

As of possible assistance to the Department in reviewing this subject, the following points are made:

1. It appears entirely possible for the Bolivian Government to execute an effective replacement program without United States financial assistance (see this Embassy's telegram 515 of February 19, 1944), but it is highly probable that it will not do so, unless concrete financial help is provided by our Government.

2. Although no encouragement has been given to the present Bolivian Government, it appears to assume that the offer of financial assistance made to the Peñaranda Government will redound to its benefit. It understands, of course, that certain conditions and standards prescribed by the Bolivian Development Corporation must be met. If the conditions and standards of the Development Corporation are met there is a very strong possibility that an effective replacement program will be executed.

3. The present Bolivian Government is in no position to accept or to implement the Department's offer of financial assistance and has done nothing to implement the expropriatory features of the expropriation decree-laws promulgated by it (see this Embassy's despatch No. 3692 under date of May 8, 1944). If, however, the Department's

[44a] Notes dated September 16 and October 4, 1943, *Foreign Relations*, 1943, vol. v, pp. 604 and 605, respectively.

offer is stated to apply to the present Government, it is believed that there is a strong possibility that the Government will sponsor in the Congress which will evolve from the forthcoming Constitutional Convention in August the legislation necessary to establish the legality of the expropriation of Axis interests and to guarantee the repayment of such Export-Import Bank credits as may be used to finance such expropriatory action.

4. Although a number of small Axis enterprises have been replaced on a voluntary basis (which raises no legal problem and no problem of United States financial assistance), it is very improbable that the large Axis "spearheads" may be replaced in this manner. Firms such as Zeller de Mozer y Cía (PL), Kyllmann, Bauer y Cía (PL), Juan Elsner y Cía (PL), Schweitzer y Cía (PL), and Ferretería Findel (PL) have already served notice that they intend to resist expropriation and replacement. It appears that the only method in which such large and entrenched firms may be replaced is for them to be expropriated under legal process and for their assets to be sold. It appears very unlikely that the Bolivian Government will undertake such far-reaching action unless it has what it terms as the "moral support and the concrete support of the United States" in the form of some type of financial assistance.

5. Although conversations have not been held on the subject with the Bolivian Development Corporation and will not be held until the Department's reply is received, it is believed that the Corporation is willing to proceed to administer any Export-Import Bank credits extended in connection with the proposed replacement program on the same basis as formulated in the discussions held last year. It is known that Alberto Crespo, president of the Corporation, believes the proposed replacement program impossible of accomplishment without United States financial assistance.

6. Embassy studies reveal that the "barebones" value of Axis assets encompassed within the proposed replacement program considerably exceed US$4,000,000.

WOODWARD

740.24112 RP/7–2044 : Telegram

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

LA PAZ, July 20, 1944—7 p. m.
[Received 11 : 56 p. m.]

1405. Reference our airgram A–292 of June 27, 1944. The Foreign Minister has stated that representatives of the Embassy will be invited to attend a meeting of Economic Defense Board set for either July 26 or July 27. An informed member of the Board today informed the Embassy that one of the basic questions which the Board wishes answered is whether the United States will lend financial assistance in connection with the replacement and expropriation program. It is urgently requested that the Department telegraph what if any answer the Embassy should make to such an inquiry.

MCLAUGHLIN

740.24112RP/7–2044 : Telegram

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

WASHINGTON, July 21, 1944—7 p. m.

765. Reference your telegram no. 1405, July 20, 7 : 00 p. m. The Department is clearing, in consultation with the Eximbank an instruction with respect to financial assistance and the replacement and expropriation program. The subject of financing is being discussed with the Eximbank, and the detailed instruction expanding the following points is expected to be sent within the next few days. In the interim, the Department's views are as follows.

1. The Department considers it highly desirable that Bolivia proceed to carry out the expropriation and replacement of the important Axis firms. The Department has believed it to be the intention of the Bolivians to take such a step after recognition.

2. The procedures previously suggested in the Embassy's telegram no. 515, February 19, 1944, with regard to a method of financing should be suggested to the Bolivians as desirable and feasible. The Department feels, as was indicated in the Department's airgram A–545, June 15, 1943,[45] that a financing procedure involving a double financing operation would be highly undesirable.

3. With reference to the Embassy's airgram no. A–292, June 27, 1944, and to point no. 1 therein, the Embassy is authorized to state that this Government is willing to renew the assurances contained in the exchange of notes of October, 1943, should the Embassy consider that such a statement would impel the Bolivians to take action in connection with the replacement program. The Embassy should note the conditions and limitations set forth in the exchange of notes of October, 1943. The Department will inform the Embassy prior to July 26 if Eximbank should feel that this previous commitment should not now be again extended to the Bolivians.

4. With reference to paragraph no. 3 of the Embassy's airgram no. A–292, June 27, 1944, the Department feels that present Bolivian legislation is not satisfactory to give clear title to a purchaser and therefore to serve as the basis for an extension of credit. The Department feels that measures should be taken by the Bolivians to prove both their ability and their sincere desire to carry out a replacement program before negotiations looking toward the establishment of any credits from the United States are begun.

5. An answer along the above lines may be made to inquiry by the Bolivians on this question of financial assistance. It will be desirable, however, if the Embassy's answer is brief and general, and if the

[45] *Foreign Relations*, 1943, vol. v, p. 598.

Embassy clearly explains that further detailed instructions are expected shortly, after which fuller discussion may be had with the Bolivians.

HULL

740.24112A RP/7–2844 : Telegram

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

LA PAZ, July 28, 1944—5 p. m.
[Received 11 : 45 p. m.]

1446. Department's 765, July 21, replacement of Axis firms. In company with Egger of Bolivian Development Corporation, McConaughy, Ramsey and I discussed entire replacement program this morning with President Villarroel, Foreign Minister [47] and Minister of Economy.[48] Bolivian Government has agreed to take following steps: (1) promulgate prior to the assembly of Congress a decree suspending the registration of enemy held trademarks; (2) confirm in writing the validity of the exchange of notes of October 1943 regarding the financing of the replacement program; (3) present the expropriatory decree laws of February 11 and March 31, 1944, to the Congress for ratification; (4) accept the plan of the Bolivian Development Corporation for financing the replacement program and assisting the successor firms; (5) initiate the program by eliminating first the larger Axis firms comprising the principal spearheads of Axis economic penetration.

The Bolivians manifested an interest in obtaining an increase of the Export-Import Bank credit from $2,000,000 to $2,500,000 but agreed to accept the figure of $2,000,000 with the understanding that the way would be open for further negotiations if an additional credit later were found necessary. The Embassy representatives expressed some concern as to the adequacy of the bolivianos 2,000,000 figure which is fixed in article XIII of the Decree Law of March 31 as the maximum capital limit for successor firms. However, the Bolivians were insistent on this figure and said that difficulties could be obviated by partition of the larger Axis firms, formation of corporate subsidiaries and use of public corporations, and other roundabout measures. The Bolivians are highly desirous of obtaining a wide distribution of the Axis interests to be transferred and are fearful of the uncontrolled expansion of the interests of the large aggregations of capital now in Bolivian commerce. Hence it is not believed that any modification of this provision can be obtained although it is undoubtedly true that it will render more difficult the transfer of the larger Axis firms.

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[47] Enrique Baldivieso.
[48] Gustavo Chacón.

The President and the Foreign Minister explicitly authorized me to inform the Department that the Bolivian Government was committed to the accomplishment of the replacement program and would carry it through as an administration sponsored measure.

Egger is leaving for Washington tomorrow and is prepared to discuss the subject comprehensively with the Export-Import Bank and the Department.

McLAUGHLIN

740.24112 RP/7–2844 : Telegram

The Acting Secretary of State to the Chargé in Bolivia (McLaughlin)

WASHINGTON, August 12, 1944—8 p. m.

825. The steps outlined as a Bolivian Government procedure in your telegram no. 1446, July 28, 1944, appear satisfactory to the Department. In view of the Department's telegram no. 765, July 21, 1944, and the commitments along satisfactory lines already made, it appears not necessary at this time to send the explanatory instruction mentioned in the Department's telegram under reference. Discussions will be held with Egger and the Eximbank, and possible procedures will be explored here.

The commitments made by the Bolivian Government are gratifying. The Department will follow the situation with strong interest in whether the steps outlined will be expeditiously taken. You may informally express to the Bolivian Government the Department's interest in the situation, and its gratification should prompt action follow the commitments.

After consultations with Egger and the Eximbank, an officer of the Department may be sent to La Paz for consultation with the Embassy. The Embassy's preliminary views on such a visit by a Departmental officer are requested.

STETTINIUS

740.24112A/8–1544 : Airgram

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

LA PAZ, August 15, 1944—5 : 30 p. m.
[Received August 21—8 a. m.]

A–349. Embassy officials have discussed with Russell the following questions raised in the record of action of the May 22, 1944 meeting of the Interdepartmental Committee on the Proclaimed List, and it has been agreed to make the following suggestions to the Committee:

The first question relates to the requirement of clearance by prospective purchasers of Proclaimed List businesses with Embassy and Committee. The Embassy has made every effort to make it known

to business communities in Bolivia that before purchasing properties on the Proclaimed List, they should consult with the Embassy. There have been only four or five cases where the purchaser has not consulted with the Embassy and these have been of a minor nature. With few exceptions the Embassy refers all questions of this nature to the Department for clearance by the Interdepartmental Committee. Occasionally, however, there are special circumstances which, the Embassy believes, makes reasonable a request by the prospective purchaser that a decision be made almost immediately. In these exceptional cases, if there appears to be no doubt about the desirability of the proposed purchase, the Embassy has given its approval. Unless the Embassy is informed to the contrary from the Department, it will continue to follow this procedure.

The question was also raised in the May 22 record of action with respect to the requirement of the blocking of the funds paid by the blocking laws of the Bolivian Government. The record of the handling by the Bolivian Government of the blocked funds arising from the sales of Proclaimed List firms has been very satisfactory. No instance has come to the attention of the Embassy where proceeds of such sales which were blocked by the Bolivian Government have been released in any manner which the Embassy would not approve. The Embassy has within the past two days requested the Banco Central de Bolivia to give its assurance that no blocked funds of any kind would be released for purposes other than living expenses without prior consultation with the Embassy. If such an agreement is forthcoming, it is believed that it would be better to rely on Bolivian Government blocking than to jeopardize current negotiations with the Bolivian Government relating to the expropriation of spearhead firms by the irritation which would inevitably come from the insistence on the blocking by escrow agreement rather than blocking by the Bolivian Government.

McLAUGHLIN

740.24112A/8–1844

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

[Extract]

No. 4192 LA PAZ, August 18, 1944.
[Received August 23.]

SIR: I have the honor to refer to the proposed program to replace Axis firms in Bolivia and to the recent visit of Francis H. Russell, Chief of the Division of World Trade Intelligence of the Department, to Bolivia from August 12 to August 16, and to report that during the course of Mr. Russell's visit the Bolivian Government, through the

President and important Cabinet members (including the Minister of Foreign Relations), gave its assurances to proceed as promptly as possible to execute a program to replace the important Axis spearhead firms and interests, as enumerated in a memorandum of the Embassy [49] through expropriation and resale.

This Embassy considers the assurances received from the President, the Foreign Minister, the Minister of Finance, and the Minister of National Economy as the strongest commitment yet received in connection with the proposed replacement program.[50]

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Respectfully yours, For the Chargé d'Affaires a. i.
WALTER P. MCCONAUGHY
Commercial Attaché

740.24112 R.P./9–1444

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

No. 4316 LA PAZ, September 14, 1944.
[Received September 19.]

SIR: I have the honor to refer to the program for the replacement of Axis firms and to the Embassy's telegram No. 1641, 9:00 a. m., September 9, 1944,[51] which stated that President Villarroel had sent the Decrees concerning the replacement program to the Convention for Legislative approval, and to enclose herewith the text of President Villarroel's message to the Convention, as well as the note received from the Foreign Office transmitting the message to the Embassy.[52]

As the Department will recall, the presentation of the four decrees to the Convention for legislative approval is one of the steps which the Bolivian Government agreed to take during the visit of Mr. Francis H. Russell last month as reported in the Embassy's despatch No. 4192 of August 18, 1944.

The President's message is translated in full, since it contains several statements of more than usual interest and constitutes what appears to be an unusually forceful and convincing document, embodying some rather original arguments. While it is impossible to estimate how much time will be required for the Convention to study and vote upon the decrees, the Foreign Minister and the President both stated prior to the opening of the debates that it was their opinion that

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[49] Not printed.
[50] For the substance of the remainder of this despatch, see telegram 1446, July 28, 5 p. m., p. 526.
[51] Telegram not printed.
[52] Neither printed.

approval of the decrees might be expected by the end of this month. However, in view of the serious opposition which developed on the first day of the debates (September 13), it is now thought that the decrees may not be approved at all. (See the Embassy's telegram No. 1662 of September 14, 1944, 9:00 a. m.[53])

Respectfully yours, For the Chargé d'Affaires a.i.
WALTER F. MCCONAUGHY
Commercial Attaché

740.00112A/9–2044: Circular telegram

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

WASHINGTON, September 20, 1944—5 p. m.

The United States and British Governments will issue simultaneous statements on September 26 to the following effect:

"It has been determined by the United States Government and the British Government that the continuation of the Proclaimed and Statutory Lists will be necessary following the cessation of organized resistance in Germany. This action is required in order to permit the Allied Governments to deal properly with firms which have been part and parcel of the Axis effort to gain world domination. Many of these firms have been controlled from Axis territory and have been utilized as instruments of the Axis war machine. Control over these Axis subsidiaries will be necessary as a supplement to Allied control of the head offices of these firms in Germany until adequate measures are taken to prevent the further utilization of these firms as instruments of Axis policy. It will also be necessary to continue on the lists those firms that have sold themselves out to the Axis through their desire to make temporary exorbitant profits at the expense of the cause of democracy. The continuation of the lists is also necessary in order to maintain controls over foreign assets, which have been looted from their rightful owners by the Axis Governments, until steps are taken to deprive the Axis of this stolen property. Other firms on the lists constitute foreign investments by Axis leaders in an effort to finance themselves and their cause following the surrender of Germany. The lists will also constitute a means of furthering the war-time economic strangulation of Japan.

"While the lists will be maintained during the transition period from war to peacetime conditions wherever the remnants of Axis activity require, it is contemplated that the complete or virtual withdrawal of the lists will be possible at an early date with respect to those countries where adequate controls have been established and Axis spearhead firms have been eliminated.

"The United States Government expresses its hope that all governments and persons in support of the cause of democracy will cooperate to the end that these stated objectives shall be accomplished."

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[53] Not printed.

You are requested to inform immediately the government to which you are accredited of the proposed statement and to express this government's hope that it will cooperate in applying sanctions against firms wherever located which may remain on the lists during the period following the cessation of organized resistance in Germany.

You are further requested to inform the government that the complete or virtual withdrawal of the lists will be possible shortly following the cessation of organized resistance by Germany with respect to those countries which have eliminated the Axis spearhead firms and have instituted adequate controls to carry out the purposes of the continuation of the lists referred to in the proposed public statement.

It is believed that the possibility of a complete or virtual withdrawal of the Proclaimed List for the American republics which have eliminated the spearhead firms may be used as an inducement with those American republics which have not already completed an effective program for the nationalization of the spearhead firms to expedite such a program.

A number of the other American republics have instituted local lists or other controls which are based upon the Proclaimed List. You may assure any such government that the Proclaimed List will not be withdrawn with respect to such a country without full prior consultation in order that the time and manner of the withdrawal of the list for such a country may be fully integrated with the requirements of the local controls.

In view of a possible early end of hostilities in Europe and since it is desirable to accomplish the deletion program gradually through deletion of a number of names in successive supplements beginning with those firms which have contributed least to the Axis cause, you are requested to begin immediately a review of the Proclaimed List in the light of the above-mentioned post-resistance aims and to forward a report to the Department indicating (*a*) those names which should remain on the list during the post-hostilities period for which the lists will be maintained (including Axis spearhead firms, concerns which are enemy controlled, holders of property belonging to enemy nationals, receivers of property looted by enemy nationals, and in general any others likely to engage in activities detrimental to the above-mentioned post-resistance policies) and (*b*) the order in which the remaining names should be deleted, i.e., arranging the remaining names in the order of the seriousness of their offenses placing first those firms which have contributed least to the Axis cause.

You are requested to report the results of your approach to the government to which your are accredited.

HULL

740.24112A/10–344

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

No. 4409 LA PAZ, October 3, 1944.
[Received October 10.]

SIR: I have the honor to refer to the Department's circular telegram of September 20, 1944, which contained the text of the simultaneous statements issued on September 26, 1944, by the United States and British Governments, concerning the Proclaimed and Statutory List policy to be followed upon the cessation of hostilities in Europe, and which instructed the Embassy to inform the Bolivian Government of this policy and its significance. A copy of the Embassy's note to the Bolivian Foreign Office, dated September 26, 1944, is attached.[55]

The telegram under reference also requested the Embassy to begin immediately a review of the Proclaimed List in the light of a possible early end of hostilities in Europe and the desire to accomplish the deletion of a number of listings beginning with those firms and individuals who have contributed least to the Axis cause. It was suggested that the Embassy classify the individual listings included in the Proclaimed List into two groups: "A. Those names which should remain on the list during the post hostilities for which the lists will be maintained;" and "B. The order in which the remaining names should be deleted."

The situation in Bolivia is, as the Department is aware, still undefined with respect to twelve leading Axis firms, which have been classified as Axis spearheads. At the present time, the expropriation decrees are before the consideration of the National Convention, and the Government, although it has declared its intention to act immediately after the approval of these decrees, has so far taken no action to expropriate these key firms, pending the Convention's decision.

In view of this circumstance and taking into account the possibilities (1) that the Convention may fail to approve the expropriation program; and (2) that the Government may fail to implement it satisfactorily if it is approved by the Convention, the Embassy has prepared two classifications of the list, one to take effect in the event that the expropriation-replacement program is *not* effected by the time that hostilities have ceased in Europe and the other to take effect in the event that the expropriation-replacement program *is* effectively implemented. Both classifications are enclosed with the attached memorandum.[55]

The Embassy regards the classifications, which have been worked out with the cooperation and approval of the British Legation, as subject to modifications, according to further developments. It is very

[55] Not printed.

probable that various of the individual cases will come up for revision in the normal course of Proclaimed List work; however, the two classifications are believed to represent a composite and general picture of the situation as it exists at this time.

Respectfully yours, For the Chargé d'Affaires, a.i.
WALTER P. MCCONAUGHY
Commercial Attaché

740.24112 R.P./9–1944 : Telegram

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

WASHINGTON, October 18, 1964—6 p. m.

1034. Consultation has taken place between officers of Eximbank and the Department with respect to the subjects raised in your airgram A–393, September 19, 1944.[56] As has been previously suggested, the Department and the Eximbank are willing to extend financial assistance on the basis of a program whose legal validity is assured. The Eximbank, however, is not willing to extend financial assistance upon any basis giving rise to legal doubts. For this reason, the legal effect of the proposed action by executive decree only would have to be very carefully canvassed and all doubts allayed with respect to the validity and constitutionality of procedures established by merely executive action. It should be noted that the Department has substantial doubts as to the validity of action under present executive decrees, and that financial assistance could not be expected merely upon the basis of these executive decrees. Furthermore, rejection of the proposed laws by the Bolivian National Convention, after presentation of these laws and substantial opportunity for debate, would seem to raise further substantial doubts, both as to the legal effect of the present executive decrees, and as to the possibility of a program actually being worked out by the Bolivian Government. Importance is, therefore, attached by the Department to the enactment of suitable legislation by Bolivia.

With respect to the second question raised in your airgram under reference, namely, the availability of financial assistance should Bolivia not embark on a replacement program until after cessation of hostilities, the Department believes that an answer based solely upon this consideration cannot be given. Should a program having substantial chances of success be inaugurated, even after the cessation of European hostilities, the Department would be willing to recommend the extension of financial assistance. On the other hand, the Department believes that the possibility of successfully carrying through a

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[56] Not printed; in it the Chargé indicated the willingness of the Bolivian authorities to proceed with the expropriation program by executive action alone (740.24112 R.P./9–1944).

program would be substantially diminished if the program were to be begun only after the cessation of European hostilities. For that reason, examination of the entire situation, as it then stood, would necessarily have to precede any recommendation which might at that time be made by the Department to the Eximbank. These statements are not, of course, intended to prejudice a decision with respect to a replacement program if the program has been begun and is substantially advanced, but not completed, at the time that European hostilities cease.

HULL

740.24112A/10–2644

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

No. 4518 LA PAZ, October 26, 1944.
[Received November 1.]

SIR: I have the honor to refer to the Department's circular telegram of September 20, 1944, which authorized this Embassy to transmit to the Bolivian Foreign Office the text of a declaration jointly agreed to by the Governments of the United States and Great Britain with respect to the maintenance of the Proclaimed and Statutory Lists following the cessation of organized resistance in Germany and Europe in those countries which had not before the cessation of such hostilities effectively eliminated Axis spearhead firms from their internal economies, and to report that there has been an exchange of notes between the Embassy and the Bolivian Foreign Office on this subject and on the related subject of the proposed program to replace Axis spearhead firms in Bolivia.

There are transmitted as enclosures to this despatch the Spanish texts and English translations thereof of two notes addressed to the Embassy under the dates of October 9 and October 18, 1944, in reply to this Embassy's note under date of September 26 [57] which transmitted, pursuant to the instructions contained in the telegram under reference, the joint declaration of the Governments of the United States and Great Britain with respect to the maintenance of the Proclaimed and Statutory Lists following the cessation of organized hostilities in Europe. It will be recalled that this Embassy has forwarded for the information and files of the Department the parallel note addressed to the Foreign Office by the British Legation in its despatch no. 4431 of October 6, 1944.[58]

The two Bolivian notes transmitted herewith are essentially the same in respect of the attitude expressed by the Bolivian Government in connection with the maintenance of the Proclaimed and Statutory Lists in Bolivia following the cessation of organized hostilities in

[57] None printed.
[58] Not printed.

Europe. It is believed that an administrative inadvertence in the Foreign Office accounts for the fact that two notes were dispatched in reply to the Embassy's note.

It will be noted that both of the Bolivian notes express the conformity of the Bolivian Government with the joint declaration of the Governments of the United States and Great Britain and that both of the notes likewise contain assurances that the Bolivian Government intends to eliminate Axis spearhead firms from the national economy.

The statement contained in the Bolivian note of October 9, 1944, to the effect that the Axis spearhead firms would be expropriated by the Bolivian Government "once the corresponding credits are obtained", caused the Embassy considerable concern lest the Bolivians did not clearly understand that the proposed Export Import Bank credit of $2,000,000 would not be made presently available unless the Bolivian Government proceeded to expropriate Axis properties on the basis of laws approved by the Bolivian National Convention rather than on the basis of executive decrees which had not been ratified by the National Convention. The Embassy felt, therefore, impelled to address a note to the Foreign Office in reply to this statement which would make our position clear with respect to the question of financial assistance in connection with the proposed program to replace Axis spearhead firms. A copy of the Embassy's note under date of October 23, 1944, is transmitted for the information and files of the Department.[59] It will be noted that my note draws heavily from the attitude and point of view expressed by the Department in its confidential telegram no. 1034 of October 18, 1944, in which the Department states (in paraphrase): "The Department, therefore, attaches importance to suitable legislation being enacted by the Bolivian National Convention."

The Bolivian note under date of October 18 contains a much more unequivocal statement of the intention of the Bolivian Government to expropriate Axis spearhead firms, and may be interpreted as superseding the earlier note and removing therefrom the barb of the implication that the Bolivian Government will proceed to the expropriation and replacement of Axis spearhead firms on the basis of executive decrees if the United States furnishes financial assistance in connection therewith. This note, however, did not reach the Embassy until October 24, which was after the Embassy had dispatched its note of October 23 in reply to the earlier Bolivian note of October 9. Inasmuch as the Bolivian note of October 18 does not specifically commit the Bolivian Government to proceed to the expropriation and replacement of Axis spearhead firms on the basis of legislation ap-

[59] Not printed.

proved by the Bolivian National Convention, I believe that the despatching of the Embassy's note of October 23 may prove to be timely and helpful in impressing on the Government our conceptions of the bases of United States financial assistance in connection with the replacement program, and may be considered as constituting a full and adequate reply to the assurances contained in both of the Bolivian notes that the Bolivian Government will proceed to the expropriation of Axis spearhead properties.

Except for the events reported herein there appear to be no new developments in connection with the program to replace Axis firms in Bolivia. As will be surmised, the Bolivian National Convention has not as yet considered the expropriation and other executive decrees deemed by this Embassy necessary to the expropriation and replacement program, although the Embassy continues to receive assurances from high Bolivian officials and Convention leaders that such decrees will be ratified before the Convention adjourns.

Respectfully yours, For the Chargé d'Affaires, a.i.
WALTER P. MCCONAUGHY
Commercial Attaché

740.24112 A/11–3044

The Bolivian Subsecretary of Foreign Affairs (Flores) to the American Chargé in Bolivia (McLaughlin)[60]

[Translation]

LA PAZ, November 10, 1944.

MR. CHARGÉ D'AFFAIRES: With reference to the Embassy's estimable note no. 536 of October 23 past,[61] and, in addition equally to note no. 367 of this chancellery under date of the 9th of the same month,[61] it is an honor for me to express to your Excellency that the Government of Bolivia will in no event execute the program for the expropriation of the principal firms of the Axis without its having been previously sanctioned by the Legislature—in this case by the Honorable National Convention—and thereafter through the promulgation by the Executive Power of the Decree-Law of February 10 of the present year and the Regulamentary Decree of March 31 last, both of which relate to the expropriation of commercial and industrial enterprises belonging to subjects of the Axis, as laws of the Republic, inasmuch as this is provided for in the Political Constitution of the State.

I take this opportunity [etc.] For the Minister
ALFREDO FLORES
Subsecretary of Foreign Affairs

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[60] Transmitted to the Department in despatch 65, November 30, 1944, from La Paz; received December 8.

[61] Not printed.

740.24112A/12–2044

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

No. 149 LA PAZ, December 20, 1944.
[Received December 29.]

SIR: I have the honor to refer to the program to replace Axis spearhead firms in Bolivia . . .

. . . . .

The message [62] is interesting in several respects. It does not call for ratification of the Supreme Decrees of April 30 and August 28, 1943 (which create the Economic Defense Board of Bolivia and vest it with extensive powers), although the ratification of such decrees is deemed necessary to the replacement program and has been promised by the Government. It acknowledges that only the Legislative Power may confer on the Executive Power the authority to expropriate Axis firms and thus seems to pave the way for the Executive Power's taking no action to expropriate under its own decrees if they are not ratified by the Congress. And it makes an implied but frank reference to the tin-price negotiations proceeding in Washington and indicates that Bolivia's position in such negotiations may be improved if the decrees are ratified.

It is reliably reported to the Embassy that the National Convention will adjourn on December 31. There are, thus, very few more sessions in which the controversial matter of the decrees may be considered.

Respectfully yours, WALTER THURSTON

[Conversations between Bolivian and American representatives continued in 1945. In Department's telegram 368, May 30, 1945, the Embassy at La Paz was informed that an Export-Import Bank loan, for use in a replacement program, was no longer to be expected (740.24112 R. P./5–2245).]

BEGINNINGS OF THE COCHABAMBA–SANTA CRUZ HIGHWAY PROJECT

824.154/8–3144

The Bolivian Chargé (Dorado) to the Secretary of State

WASHINGTON, August 31, 1944.

EXCELLENCY: I have the honor to request the good offices of the Department of State in obtaining the necessary priority ratings and export licenses for equipment and materials needed by the Bolivian

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[62] President Villarroel's message, said to have been sent to the National Convention on December 8, 1944.

Development Corporation as per letter addressed by its Manager, Mr. Roland Egger, to the Foreign Economic Administration on August 23, 1944.

The Corporation mentioned in the preceding paragraph,—as Your Excellency is well aware—, was established as the result of negotiations between our two Governments, for the purpose of carrying out a "long term plan of collaboration to foster the continued mutually beneficial economic relations between the United States and Bolivia, and to develop the national economy and natural resources of Bolivia".[63]

One of the principal schemes being undertaken by the Corporation in accordance with the purposes mentioned above is the Cochabamba–Santa Cruz highway, the economic as well as political importance of which has often been emphasized. Some equipment and materials for this highway were obtained already under Special Project License No. 814; however, following the completion of a substantial portion of the studies of the highway, the Corporation has prepared a list of additional equipment essential for its construction. The political developments which followed the Bolivian Revolution of December of 1943 prevented, however, the export of this additional equipment. The unfortunate delay incurred together with the scarcity of certain of the materials authorized for export under Special Project No. 814, has made it necessary to increase the originally planned rate of progress so as to compensate for the time lost. This increased rate requires a greater mechanization of the work to be undertaken.

The importance of the highway to which I have made reference compels me, Your Excellency, to bother your attention with these matters and to request the good offices of the Department of State in the procurement of the necessary export licenses and priority ratings for the materials that will enable the Corporation to accomplish its task.

Accept, Excellency [etc.] CARLOS DORADO

824.154/8–3144

The Secretary of State to the Bolivian Chargé (Dorado)

[WASHINGTON,] September 27, 1944.

SIR: I refer to your note dated August 31, 1944 requesting the assistance of the Department in obtaining priority rating and export license for equipment and materials needed by the Bolivian Development Corporation.

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[63] For the complete text of the document from which this quotation was taken, see telegram 127, August 1, 1941, 3 p. m., to La Paz, *Foreign Relations*, 1941, vol. VI, p. 435.

A project application presented by the Bolivian Development Corporation is actually under consideration in the Department and it is the intention of the Department to transmit the application and accompanying documents to the Foreign Economic Administration for its consideration and recommendation to the War Production Board. The Department's interest in the support of this project is being communicated to other appropriate agencies of this Government.

Accept [etc.] For the Secretary of State:
A. A. BERLE, JR.

824.24/11–1444 : Telegram

The Acting Secretary of State to the Chargé in Bolivia (McLaughlin)[64]

WASHINGTON, November 14, 1944—8 p. m.

1118. For Ambassador and Egger from Department and Ex-ImBank. A meeting was held in the Export-Import Bank November 11, attended by representatives of the Department of State and Public Roads Administration, to consider the Cochabamba–Santa Cruz highway. A few days ago a strong letter of support was addressed by the Department to the War Production Board in an effort to obtain the requisite priorities for the equipment necessary to construct the road. The War Production Board (at a high level) has replied[65] in categorical terms that it is impossible at this time to approve the scheduling of new equipment of the type requested and in the quantities necessary. The best the War Production Board could promise was an AA–5 rating which should enable the Corporation[66] to start negotiations with manufacturers but which would not make new equipment available in much under a year. It seems clear that in the absence of a Presidential directive adequate equipment cannot be obtained on any basis better than the aforementioned AA–5 rating which the War Production Board is agreeable to assigning to the project.

The Department's views are that from both a political point of view and in the interest of improving Bolivian economy as rapidly and as efficiently as possible construction of this road is desirable at the earliest possible moment. Nevertheless the Department has as-

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[64] Drafted jointly by representatives of the Department of State and the Export-Import Bank.

[65] The War Production Board letter of October 21, 1944 (not printed), answered an application of the Foreign Economic Administration for materials, supported by the Department of State, and in a letter of November 1 (not printed), the Department of State informed the Board that political considerations outweighed economic factors (824.24/10–2144).

[66] Corporación Boliviana de Fomento.

surances that the state of the war is such that all the equipment that would be needed is destined to war uses and there is little likelihood of improvement in the foreseeable future. It is the Department's further view that although the construction of the road is desirable this must be done in an efficient manner and on a sound financial and technical basis.

The Public Roads Administration has made clear that the survey of the road is not far enough along and that the estimates of contractors are so divergent (ranging from 13 million to 20 million dollars) that it is impossible at this time to say which kind of a road should be built, over what route it should pass, and how much it would cost. It is obvious that if the road far exceeds the 10 million dollars requested of the Export-Import Bank together with the amount allocated by the Corporation from its own funds to the project the other important aspects of the Development Corporation program would thus be seriously affected.

It was the consensus of the meeting that given the unavailability of new equipment at this time and the lack or indefinite nature of information of a technical character the best course now open to us is to have the Public Roads Administration send Messrs. Palmer and Harshberger,[67] resident engineers in charge of the Central American work, to Bolivia to go over the situation fully with Cottrell [68] so that the Corporation's estimates of construction costs can either be confirmed or revised to determine the financial aspects of this project while at the same time to determine finally the design of the road to meet anticipated traffic demands as well as to ascertain the extent and availability of labor on the basis of which the minimum degree of mechanization can be appraised. It is our view that once this has been done and should it result that the work can be undertaken in an effective manner at a figure acceptable to the Bank we might then be able to go back to the War Production Board with the reduced mechanical equipment request which might, (repeat might) have some chance of approval and if in the near future or while the program of construction with reduced quantities of mechanical equipment is being carried forward the supply situation should improve then we could, of course, go forward quickly with full mechanization to meet the desired rate of progress.

We would appreciate the Embassy's and Egger's frank and full views as soon as possible.

STETTINIUS

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[67] Wallace C. A. Palmer and Marvin L. Harshberger were Public Roads Administration engineers resident in El Salvador and Cuba, respectively.

[68] Benjamin Cottrell, an engineer of the Public Roads Administration, who supervised the surveying of the Cochabamba–Santa Cruz Highway.

824.24/12–2044

Memorandum by the President of the Export-Import Bank (Pierson) to the Chief, Division of Financial and Monetary Affairs (Collado)

WASHINGTON, December 20, 1944.

Reference is made to the several conferences we have had with members of the Department regarding the Cochabamba–Santa Cruz highway which the Bolivian Development Corporation proposes to construct and for which it has requested our approval for financing.

Although I am in favor of this project if it can be completed with funds provided by the Corporation and by the Export-Import Bank, it is difficult to escape the conclusion that available data as to cost is extremely meager.

However, the Bank has approved the Corporation's request for financing upon the terms and conditions stated in the project approval, three copies of which are attached hereto for your information. You will note that the Bank has clearly specified that it does not assume any responsibility for the accuracy of the cost estimates or the ability of the Corporation to complete the highway with funds now in sight.

It might be a good idea to transmit a copy of our terms of approval to the Embassy at La Paz with the suggestion that they be brought to the attention of high officials of the Bolivian Government, who should also be informed that the Bank takes no responsibility for the selection of the project, the manner in which it is to be carried out or its completion.

WARREN LEE PIERSON

[Annex]

Memorandum of Project Approval by Export-Import Bank

December 18, 1944.

Export-Import Bank of Washington hereby approves the application submitted by Corporación Boliviana de Fomento under date of October 14, 1944, for financing the Cochabamba–Santa Cruz highway project, subject to the following terms and conditions.

1. The Bank assumes no responsibility as to the accuracy of the estimates of cost of the highway or as to the ability of the Corporación to complete said highway with its own funds or funds available under the credit, or both.

2. $10,000,000 is to be allocated under the credit.

3. The Corporación shall furnish the Bank with assurances, concurred in by the Bolivian Government, that it will complete the highway and will provide such funds therefor as may be needed in addition to those available within the allocation under the credit.

4. Before the Corporación shall request the Bank for advances under the credit, it will expend from its own funds the first $3,000,000

which may be utilized either for the acquisition of equipment or for direct expenditures on the highway or both.

5. Should there be a balance remaining undisbursed within the allocation aforesaid on a date six months prior to the final date for advances under the credit as provided in Article 15 of the Loan Agreement of December 29, 1942, the Corporación may on such date or within five months thereafter request advances against such undisbursed balance in reimbursement for expenditures which may have been made by the Corporación from its own funds in accordance with the provisions of Item 4 above and for which the Corporación has not received reimbursement.

6. If, during the course of construction of the highway, revised estimates of cost should be submitted showing to the satisfaction of the Bank that the total cost of the completed highway will be less than $13,000,000 then in that event the Corporación, at its option, may request the Bank to make advances within the allocation aforesaid in reimbursement for expenditures which have been made by the Corporación from its own funds in accordance with Item 4 above to the extent of the difference between $13,000,000 and the amount of the lesser estimate.

7. It is understood all advances made to the Corporación within the allocation aforesaid shall be made in accordance with and subject to the conditions of the agreement of December 29, 1942.

8. Corporación is to furnish Eximbank with copies of surveys, plans and specifications promptly as soon as they are made available to it.

9. Corporación is to furnish Eximbank with the following exhibits[69] which are listed in the application and which have not been received:

Resolution of the Board of Directors of the Corporación Boliviana de Fomento, approving the construction of the Cochabamba–Santa Cruz Highway.

Supreme Resolution of the Bolivian Government under date of April 29, 1943, evidencing the Government's compliance with all requirements of Loan Agreement with respect to right-of-way, easements, etc.

Copy of completed plans for approximately 37 kilometers of demonstration sections, entitled "Carretera Cochabamba–Santa Cruz, Sección 1–A–1" and "Carretera Cochabamba–Santa Cruz Sección 1–Z–1".

EXPORT-IMPORT BANK OF WASHINGTON

[69] None printed.

BRAZIL

THE CONCLUSION OF A MILITARY AVIATION AGREEMENT BETWEEN THE UNITED STATES AND BRAZIL BY EXCHANGE OF NOTES, SIGNED JUNE 14, 1944

711.3227/1

The Assistant Secretary of State (Berle) to the Assistant Secretary of War for Air (Lovett)

WASHINGTON, December 31, 1943.

MY DEAR MR. LOVETT: Your letter of December 7, 1943,[1] regarding the question of negotiating post-war civil and military aviation agreements with Brazil, has been read with a great deal of interest in the Department and has been discussed at length with Secretary Hull.

We have had further conversations with Colonel Brownell,[2] and the matter has also been discussed with the Secretary of State on several occasions. The Department agrees that this appears to be a propitious time to approach the Brazilian Government; Ambassador Caffery is scheduled to make a quick trip to Washington in the very near future, at which time the matter will be taken up with him personally. In the meantime, I should like to refer to the lettered paragraphs of your letter of December 7.

(*a*) The question of a civil air agreement with Brazil already has been taken up with the Ambassador at Rio de Janeiro. In an instruction from the Department dated November 10,[3] certain aspects of the problem were outlined and the Ambassador's comments were requested.

(*b*) Ambassador Caffery's reply,[4] recently received, stated: "I am in accord with the Department and General Walsh as to the timeliness of reaching agreement with Brazil on these matters." It is quite probable that the negotiation of a definite civil air agreement with Brazil in the near future would not be inconsistent with any broader United Nations agreement which might be concluded later, but we agree that this is a question which needs further consideration before final decision. Meanwhile, we are presently drafting a proposed civil air agreement which will give the Embassy at Rio de Janeiro a good

[1] Not printed.
[2] Col. George A. Brownell, Executive Officer, Office of the Assistant Secretary of War for Air.
[3] Instruction not printed.
[4] Despatch 13726, December 6, 1943, *Foreign Relations*, 1943, vol. v, p. 648.

idea of the points which should be covered, and will enable it to discuss the matter in more detail with the Brazilians.

In the last part of your paragraph (*b*) reference is made to an agreement "which would insure to American companies the same right as Brazilian companies may have of using airfields constructed in whole or substantial part by United States funds, and also securing for us such additional commercial air rights in Brazil as may be feasible." I believe both these points will be covered adequately in the proposed agreement now being drafted, but aside from this, and after informal consultation with the War Department, we instructed the Embassy at Rio de Janeiro several months ago to present an *aide-mémoire* [5] to the Brazilian Government. If accepted, this would protect the provisions of the decree law under which the A. D. P.[6] airports were constructed, as well as generalizing the use of these airports to all duly authorized American air carriers. This *aide-mémoire* is now being studied by the Brazilian authorities although, of course, the proposed civil air agreement will go even further.

(*c*) The Department naturally will be glad to get the views of the War Department on the proposed commercial agreement. Close collaboration with the Civil Aeronautics Board in the final drafting of this agreement is also contemplated.

(*d*) The Department will be very much interested in your views regarding the securing of certain military rights in Brazil, and I understand that a letter from the Joint Chiefs of Staff to the Secretary of State is likewise being drafted on this subject. The Department agrees that any military agreement should be separate from the civil agreement, although there is of course the possibility that these two agreements could be negotiated concurrently.

(*e*) It is possible that some of the suggestions contained in the draft of the letter of November 28 to Ambassador Caffery, prepared by General Walsh, Mr. Satterthwaite, and Mr. Walmsley,[7] cannot be covered in the proposed agreement. While the proposed joint aeronautical commission is an interesting suggestion, it is not certain whether such a body might function effectively. There is no precedent for the organization of a formal commission in bilateral air navigation agreements, and there is some question whether delegation of needed powers to such a commission would be practicable. The Department's tentative draft of a civil air agreement makes provision for close collaboration between the authorities of the two parties to the agreement, without setting up a formal body.

With regard to your expressed doubt as to the necessity for granting extensive reciprocal rights to Brazil, the Department feels that this is a delicate point and that the closer we come to a formal statement of reciprocity in the agreement, the more we can expect to receive from Brazil. Ambassador Caffery's comments on this subject are as follows:

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[5] Not printed.

[6] Aviation Development Program of the United States Army.

[7] Not printed. Livingston L. Satterthwaite and Walter N. Walmsley, Department of State Foreign Service Officers, were instrumental in the drafting of a letter for the signature of the Commanding Officer of the United States Army Forces in the South Atlantic, Maj. Gen. Robert L. Walsh, which was addressed to the United States Ambassador in Brazil, Jefferson Caffery.

"In regard to an air agreement in general, the Air Minister [8] and Brigaderio Gomes [9] have both expressed approval of the principle of reciprocity. Brigaderio Gomes, however, again raised . . .[10] his objections to inland routes for foreign carriers . . . As the Department correctly appreciates, few if any Brazilians are aware of the fact that as matters now stand Brazil may be denied reciprocal rights for those Brazilian airlines it desires to have enter the United States. The exclusion of Brazilian airlines desiring to fly to the United States would obviously have a serious effect on our aviation interests."

It is true that the Department of State and the Civil Aeronautics Administration have already taken steps to provide for certain training of Brazilian aviation technicians, and the proposed negotiations will include a reference, either in the agreement or in the interpretative exchange of notes, which will make additional provision for such training and which should be an added bargaining point for us.

Within a very short time the Department expects to be able to furnish you with a copy of the draft, now being prepared, of the proposed civil agreement. At such time I hope that we can discuss this matter further, as well as the proposed military agreement.

Sincerely yours, ADOLF A. BERLE, JR.

711.3227/1

The Secretary of State to the Chairman of the Civil Aeronautics Board (Pogue)

WASHINGTON, January 3, 1944.

MY DEAR MR. POGUE: This will refer to the Department's letter of December 15, 1943,[11] stating that material was now being assembled with a view to initiating negotiations with Brazil for an aviation agreement which would include commercial air rights, and provision for the use of airports constructed with United States public funds.

There is attached hereto a preliminary draft of a proposed air agreement with Brazil [11] which has been drawn up in the Department. This draft covers a proposed civil air agreement and is divided into five parts.

Part I relates to air navigation in general, and follows along the line of air navigation agreements which the United States has negotiated with various countries. Part II provides for the operation of regularly scheduled air transportation services, and is based substantially on our air transport arrangement with Canada.[12] Part III deals

[8] Joaquim Pedro Salgado Filho.
[9] Brig. Eduardo Gomes, Commander of the Second Air Zone, Brazilian Air Force.
[10] Omissions in this paragraph indicated in the original letter.
[11] Not printed.
[12] For text of the arrangement, effected by an exchange of notes signed August 18, 1939, see Department of State Executive Agreement Series No. 159, or 54 Stat. (pt. 2) 1805.

with airports and airport facilities, and is intended to obtain for duly authorized United States air carriers the right of general access to Brazilian airports and airport facilities, particularly those constructed and installed with United States public funds. Part IV provides for collaboration between the two countries with a view to furthering the development of air navigation and aeronautical activities. Part V covers the effective period of the agreement and termination provisions.

It is the Department's hope that your Board may have an early opportunity to study this preliminary draft, and to furnish such comments as it may deem appropriate. A copy of the draft is also being furnished the War and Navy Departments.

Sincerely yours, For the Secretary of State:
ADOLF A. BERLE, JR.
Assistant Secretary

811.24500/1-744

President Roosevelt to the Secretary of State

WASHINGTON, January 7, 1944.

DEAR MR. SECRETARY: The Joint Chiefs of Staff have submitted to me a study [14] showing the locations in foreign territories, in which air bases or aeronautical rights and facilities for the operation of military aircraft are deemed essential to the future military requirements of the United States.

I am forwarding to you that study and accompanying memoranda,[15] and request that the State Department, as a matter of high priority, initiate negotiations with the governments concerned to acquire permanent or long-term benefit of the bases, facilities and rights required, at the earliest possible moment.

It is desired that the State Department should collaborate fully with the War and Navy Departments in this matter. The latter will furnish the State Department such documents, memoranda and knowledge as they may have derived from wartime acquisition or use of any of the bases, facilities and rights in question.

The order of priority, the timing, and the plan of negotiation will be determined by the State Department in each instance. The War and Navy Departments, collaborating with you, will indicate the relative importance of the air bases and facilities, and will prescribe the maxima to be desired and the minima which will be acceptable in each instance.

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[14] Not printed.
[15] Memoranda of November 15, 1943, not printed.

The optimum arrangements desired in certain instances would be to have the United States own or become long-term lessee of an air base and facilities with the right:

a. To import, free of duty, matériel, equipment and supplies requisite to the improvement, maintenance, operation and defense of a military air base.
b. To operate military aircraft into and from the base and over surrounding territory without restriction.
c. To install and operate such radio, weather, communication and other facilities as are required for the operation of the air base, aircraft and navigation aids.
d. To maintain such personnel as may be requisite for the operation and defense of the base, facilities and rights.

The acceptable minimum in certain instances may be for the United States to have the right to operate from the base and to install facilities essential to that operation and to defense.

Between these two extremes, the solution applicable in each locality will be governed by the importance of our particular need and a realistic approach to what we can expect to obtain from the sovereign power concerned.

The Joint Chiefs of Staff are maintaining a continuing study of this important subject and will submit further recommendations from time to time as circumstances and the military interests of the United States may dictate.

You will note that the Joint Chiefs of Staff have purposely excluded consideration of civil aviation requirements, stating that, while inevitably related, the latter are under study by the State Department. I concur in their opinion that it is probable that any policy established in respect to civil aviation will be in accord with, and often strengthen, the military position outlined by the Joint Chiefs of Staff, but it is obvious that in any case of conflict, sound military requirements must control. Negotiation for the bases, facilities and rights herein designated as being of military necessity must therefore not be postponed or retarded in deference to considerations of civil or commercial aviation,

Very sincerely yours, FRANKLIN D. ROOSEVELT

811.24500/1–1444

The Secretary of War (Stimson) to the Secretary of State

WASHINGTON, 14 January 1944.

SIR: I have received a copy of the letter addressed to you by the President under date of January 8 [7], 1944, with which he forwarded memoranda relating to air bases and facilities for the operation of military aircraft deemed essential to our future military

requirements, and in which he requested that the State Department, as a matter of high priority, initiate negotiations with the governments concerned.

In the same letter the President indicated that he wished this Department and the Navy Department to collaborate fully with the State Department in the matter, and that we would advise you of the relative importance of the various air bases and facilities, and would prescribe the maxima to be desired and the minima which will be acceptable in each instance.

The War Department regards certain air bases and aeronautical rights and facilities in Brazil as having a very high priority in the program. Furthermore, in the opinion of Army officers who are familiar with the Brazilian situation, the time is opportune for the institution of negotiations and the completion of a military agreement with Brazil. I am advised that this view is shared by representatives of your Department here in Washington and by our Ambassador in Brazil, with whom certain Army Air Force officers have already had informal conversations.

The Brazilian air bases and facilities of primary importance to us are located at Belém, São Luiz, Fortaleza, Natal, Recife and Amapa. I am today communicating with the Secretary of the Navy in order to ascertain from them the seaplane bases and other facilities which they put in the same category. At all of the points I have named fields and facilities have been constructed or improved under direction of the War Department for war purposes, with United States funds. I believe that your Department already has copies of the documents and memoranda that pertain to our wartime use of these fields and installations, but to the extent that you do not have them our files can quickly be made available.

In the President's letter he states that the optimum arrangements desired in the case of certain foreign airfields would be to have the United States own or become long-term lessee of the base and facilities, with certain ancillary rights. If this could be arranged on any reasonable terms in the case of any of the installations I have named, it would of course be most desirable. If that is not possible, I am told that it is not improbable that Brazil will be willing to agree to allow our military aircraft full rights of user of these fields, and also to an arrangement whereby the fields themselves would be made subject, for a stated period of time, to joint control, operation and maintenance by the Brazilian Air Forces and the United States Army Air Forces. Such an agreement would be of great value to our postwar defenses.

In addition to the foregoing every effort should be made to secure the following rights:

a. To operate military aircraft into, over and away from Brazilian territory, and to land in emergencies or for technical purposes at all Brazilian airports open to military traffic. It will be agreeable to the War Department to grant reciprocal rights to Brazil.

b. At the airports to which I have referred above (which may be referred to as "strategic airports"), to enjoy in addition to the rights referred to in paragraph *a*, full rights of user by our military aircraft jointly with military aircraft of Brazil.

c. To install, maintain and operate at the strategic airports such radio, weather, communications and other facilities as are required for the use of the fields by our military aircraft.

d. To maintain at the strategic airports such personnel as may be required for this country's share of the operation and maintenance of the fields, and their facilities, and for operation and maintenance of such of our aircraft as may be temporarily there located.

e. To import, free of duty, material, equipment and supplies requisite to the improvement, maintenance, operation and defense of the fields.

Operating and maintenance expenses should be prorated between the United States and Brazil in accordance with some predetermined basis of respective responsibility, occupancy and use.

The War Department has prepared a draft of a proposed agreement embodying the foregoing and certain other points, which I shall forward to you for your consideration after we have had an opportunity to secure from the Navy a statement of their requirements and requests.

I understand that Ambassador Caffery and Major General Robert L. Walsh are now in Washington. General Walsh is Commanding General of the United States Army Forces South Atlantic, and Commanding General of the South Atlantic Division of the Air Transport Command, and, because of his direct contact with the problem, appears well qualified to take an active part in the negotiations. I would suggest that at as early a date as practicable they, with such other representatives as may be necessary, be requested to proceed to Brazil to take up formally with the Brazilian Government and the Brazilian military authorities the question of the negotiation of an agreement.

I do not think that the negotiations should be delayed because of any contemplated discussions with the Brazilians regarding post-war commercial air rights, and I believe that such commercial discussions will very probably be facilitated if a military agreement of the kind I have outlined is first entered into.

I shall communicate with you again after hearing from the Secretary of the Navy.

Sincerely yours, HENRY L. STIMSON

811.24500/2–144

President Roosevelt to the Secretary of State

WASHINGTON, February 1, 1944.

DEAR MR. SECRETARY: As a result of the continuing study of post-war military bases, referred to in my letter to you of 7 January 1944, I desire to supplement that letter and accompanying documents as follows:

a. The Atlantic Blue Area[17] is extended to include Georgetown, British Guiana, since our rights there are based on a 99-year lease, similar to that of Trinidad.

b. The European Black Area[18] in the Chart for Period One will not be considered as definitive, but as subject to adjustment to conform to U.S. occupation and enforcement agreements when they shall have been made.

c. The State, War, and Navy Departments and the Joint Chiefs of Staff, in their studies, plans and negotiations in conformity with my letter, will not limit themselves to the subject of air bases alone, but will consider the related questions of adequate base facilities for naval and ground forces—the whole subject being established for future reference as "U.S. Requirements for Post-War Military Bases." However, in any case where such action is likely to jeopardize acquisition of any of the air base rights contemplated in my letter of 7 January, or cause delay in initiating the negotiations directed therein, these amplifying instructions are not to be construed as requiring simultaneous negotiations for air and naval or ground force base facilities.

d. Subject to the approval of the Secretary of War and the Secretary of the Navy in matters involving departmental policy, the Joint Chiefs of Staff will be the coordinating agency in regard to the military guidance to be furnished the State Department, in connection with these negotiations.

e. All the above is subject to the approval of the President.

Very sincerely yours, FRANKLIN D. ROOSEVELT

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[17] The Atlantic Blue Area indicated on maps accompanying the report of November 15, 1943 (not printed) of the Joint Chiefs of Staff to the President, included those positions of the world required for the direct defense of the United States and in which the United States was to have, with certain exceptions, exclusive military rights.

[18] The European Black Area included that part of Western Europe, as indicated in the maps of the Joint Chiefs of Staff, required by United States occupation and enforcement commitments.

711.32/206 : Telegram

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

RIO DE JANEIRO, February 1, 1944—4 p. m.
[Received 6 : 50 p. m.]

383. Following the statements set out in my 382 of February 1, 4 p. m.,[19] I told President Vargas as instructed by President Roosevelt [20] of our President's interest to have Brazilian post war participation in an air base either in West Africa or in the Cape Verde Islands. President Vargas said that he would gladly participate. I then referred to the statement Vargas made prior to my departure for Washington, that he might be willing to permit our aviation authorities to maintain some sort of post war "interest" in the Northeastern Brazil air bases and I told him that our air authorities would much like to maintain such an "interest". He said, "Well, you may tell President Roosevelt that I am willing to make an agreement with you permitting some sort of continuing military use of those fields".

CAFFERY

711.32/209 : Telegram

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

RIO DE JANEIRO, February 12, 1944—noon.
[Received 8 : 15 p. m.]

542. The memorandum [21] reads in translation as follows:

The close political and military ties which have always united Brazil and the United States of America have been further strengthened since the present conflict has left 'our military experts' the vital necessity of the continuance of our joint vigilance in defense of areas of mutual interest. Furthermore, there exists the unquestionable mutual necessity from the point of view of the defense of our two countries and of the basis for negotiations, for the continued maintenance in Brazil of strategic military airfields during the postwar period. In this connection it is felt that neither Government alone should feasibly [apparent omission] of maintaining the strategic airfields since they are for our mutual protection.

Having in mind the above considerations, it is believed opportune for our two countries to enter into an agreement for the continued

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[19] Not printed.

[20] It appears to be very possible that these were oral instructions received by the Ambassador during his conferences in Washington.

[21] A personal memorandum, handed to President Vargas by Ambassador Caffery on February 11 in response to the Department's instruction 5566 of January 31, 1944, not printed. The Ambassador reported that the President concluded that the memorandum would serve as a basis for negotiation.

use, administration, et cetera, of existing strategic air facilities and for military aircraft in general. It is believed that an understanding of this nature would be of incalculable practical value for the maintenance of world peace, in as much as the peaceful principles upheld by our two countries are universally known.

The proposed agreement should include, in principle, the following points:

1. The establishment of a Brazilian-American Technical Aviation Commission for the joint use, operation and maintenance of strategic air ports. Its duties, responsibilities, et cetera, are to be determined in the agreement. (I used technical because it sounds pretty.)

2. Joint maintenance of strategic air fields by Brazil and the United States under the direction of the Technical Aviation Commission. The expenses in connection with such maintenance to be borne by the two countries on an equitable basis to be determined.

3. The Technical Aviation Commission will be responsible and in this connection will use its best efforts to provide adequate means for the training of Brazilian personnel and technicians selected by the commission for the operation of the airfields and accessory facilities. In this connection it should be noted that Brazilian personnel is being trained for this purpose by American technicians at the principal strategic airfields situated in the north of Brazil.

4. Each party to this agreement will grant to the military air craft of the other country asked him fly over, and take off from its respective territory and the use of all necessary facilities.[22] Mutually satisfactory regulations governing the matter will be included in the agreement.

5. It is suggested that the agreement remain in effect for a period of 5 years after which time it may be denounced by either party on 1 year's advance notice. Should it not be denounced the agreement will remain in effect for a period to be determined, say, of 25 years."

CAFFERY

832.24/2779

Memorandum by the Secretary of War (Stimson) [23]

WASHINGTON, 16 February 1944.

In accordance with desires expressed by the Secretary of State in his letter to the President, dated 8 January 1944,[24] and following a recent conference called by your Department with respect to munitions to meet present international trend in South America, the War Department has authorized the Commanding General, U. S. Army Forces in

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[22] This sentence is evidently garbled.

[23] Addressed to the Department of State, for the attention of Mr. Walter N. Walmsley, Jr., Chief, Division of Brazilian Affairs.

[24] *Post*, p. 567.

South America [25] to lend construction equipment, technical advice and supervision to assist the Brazilians in the construction of two (2) airfields south of Rio de Janeiro.

Rough cost estimates submitted by the Commanding General, U. S. Army Forces in South America, are approximately $300,000 per field which is considerably higher than was intended by the War Department in authorizing him to loan equipment and provide technical assistance to the Brazilians.

In view of the pending discussions with respect to postwar use of airfields in Brazil, together with the present situation in South America, the views of the State Department are requested on the extent of U. S. participation in the construction of the two (2) above mentioned airfields.

For the Secretary of War:
CHARLES W. MCCARTHY
Colonel, G. S. C.
Chief, Liaison Section, OPD, WDGS

832.24/2779

The Chief of the Division of Brazilian Affairs (Walmsley) to the Chief, Liaison Section, Operations Division, War Department General Staff (McCarthy)

WASHINGTON, February 22, 1944.

MY DEAR COLONEL MCCARTHY: I have received your memorandum of February 16, 1944 on the subject of the two projected airfield sites in south Brazil and in which you request the views of the State Department on the extent of United States participation in the construction of these airfields.

The offer of assistance in the construction of these airfields was motivated by important and urgent political considerations and at the time it was made there was, of course, no information immediately available concerning the cost except, perhaps, in so far as a very rough estimate might be made on the basis of experience in the construction of similar fields in northern Brazil. Prompt action was essential and time did not permit the preparation of detailed estimates.

The conclusion seems inescapable that the extent of our participation must necessarily be in accordance with the offer made which was to lend the construction equipment, technical advice and supervision necessary to put the fields into serviceable condition. This offer, which has been accepted by the Brazilians, would seem to be a definite commitment on our part that cannot be waived or modified on the ground that the cost is higher than that originally anticipated. Of scarcely less importance is the use that can be made of this concession

[25] Gen. Robert L. Walsh.

by Ambassador Caffery in forthcoming negotiations with the Brazilian Government on post-war agreements.

This Department, therefore, expresses the view that assistance should be provided as contemplated and that cost estimates and appropriation of funds should be adjusted to the extent necessary to fulfill our commitment.

Sincerely yours, W. N. WALMSLEY, JR.

711.3227/47

Memorandum by the Chief of the Division of Brazilian Affairs (Walmsley)[26]

[WASHINGTON,] February 24, 1944.

Separately there are in circulation for initialing a draft military air agreement with Brazil approved by Departmental and Joint Chief of Staff representatives and an instruction to Mr. Caffery to negotiate. For convenient reference, copies of these documents are attached.[27]

I am informed that the President has approved the general arrangements proposed for Brazil; and has added that whatever personnel may be stationed at the Brazilian bases after the war will not be uniformed.

It is reasonable to expect the Brazilian Government to seek certain compensations in return for signing an agreement which would allow the United States to engage in military activities in Brazil in peacetime. It would be prudent, therefore, to ascertain as soon as possible what concessions we are ready to give to attain the objectives envisaged. I believe Brazil may ask us for one or more of the following items:

(1) Extension of the reciprocal transit and landing privileges for Brazilian military aircraft (Article First) to (*a*) the leased bases in BWI [28] and (*b*) the Canal Zone.

In the case of (*a*), a general commitment to the other American republics was made with regard to use of the destroyer-base facilities in 1940.

In the case of (*b*), the Department should support such a request before the War Department;

(2) Security and defense measures at the bases to be Brazil's responsibility and American servicing personnel to be unarmed.

In our wartime agreements with Brazil, we recognize Brazil's

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[26] Addressed to Philip W. Bonsal and Laurence Duggan, Office of American Republic Affairs; John D. Hickerson, Division of British Commonwealth Affairs; Adolf A. Berle, Jr., Assistant Secretary of State; Green H. Hackworth, Legal Adviser; and Edward R. Stettinius, Jr., Under Secretary of State. Mr. Hackworth made the following marginal notation: "I think that we should wait until we see what Brazil desires."

[27] Not printed.

[28] British West Indies.

responsibility to protect the airfields. Our men are armed by tacit consent of the local Brazilian military commanders. In view of the President's dictum regarding uniforms, I feel that such a concession should be granted if request is made by Brazil;

(3) Recognition of Brazilian jurisdiction over American personnel committing offenses outside the bases; and within the base areas if Brazilians are involved.[29]

Because the jurisdiction clause (Article Eleventh) is not truly reciprocal in the absence of Brazilian military formations in United States territory and because of the civilian attire of American personnel, I think it would be proper to accede to either or both requests if made;

(4) Incorporation in the present document or a separate one of a continuing guarantee of assistance to Brazil against extracontinental attack. This assurance is contained in Article III of the basic "Politico-Military Agreement of May 27, 1942".[30]

In as much as cooperation between American republics against external attack bears inter-American approval by virtue of, for example, Resolution XV of the Habana meeting of 1940 [31] and is one of the justifications of the present agreement (second and fourth whereases), I should think it would be possible and desirable to find a means to continue this guarantee in writing;

(5) Continuation of the guarantee in Article Seventh of the May 1942 Agreement of assistance to Brazil against aggression by another American country instigated by the Axis (*sic*) and to maintain the present Government in power.

I strongly urge against renewal of any such guarantee, which has no place in the inter-American system. We will have to talk our way out of this one;

(6) Participation of Brazil in similar military arrangements outside the hemisphere.

Ambassador Caffery, with President Roosevelt's authority, has spoken to President Vargas and has found him receptive to Brazilian participation in whatever arrangement may be worked out for bases in French West Africa. However, as we have no postwar rights in French West Africa to share or give away; and as we regard the Algiers Committee as trustee without the sovereign power to alienate French territory, I do not see how we can go beyond committing ourselves to inviting the Brazilians in if and when. I am fearful lest the apple cart be upset by an indiscretion on the part of some Brazilian official; so I urge that this subject be discussed in Brazil *only* with President Vargas, whose discretion is model.

I think, as Mr. Hackworth suggests, that it would be politic, in fact highly desirable in the case of so important a postwar commitment

[29] For statements of the viewpoints of American and Brazilian authorities on this subject, see memorandum by the Consul at Pará to the Ambassador in Brazil, p. 601.

[30] Not printed, but see bracketed note, *Foreign Relations*, 1942, vol. v, p. 662.

[31] For correspondence on the meeting, see *ibid.*, 1940, vol. v, pp. 180 ff.; for text of Resolution XV, see *Second Meeting of the Ministers of Foreign Affairs of the American Republics, Habana, July 21–30, 1940, Report of the Secretary of State* (Washington, Government Printing Office, 1941), p. 71.

as the agreement involves, to inform appropriate members of the Senate Foreign Relations and the House Foreign Affairs Committees of this document and to give them an informal copy of it. There are plenty of evidences of the interest of the Congress in the postwar use of facilities abroad built with our funds. The desirability of informing members of the House Subcommittee on Aviation of the Committee for Military Affairs is also suggested in view of the fact that these members made a special visit to these airports last November.

W. N. WALMSLEY, JR.

711.3237/48

Memorandum by the Chief of the Division of Brazilian Affairs (Walmsley)[32]

[WASHINGTON,] February 25, 1944.

MILITARY AVIATION AGREEMENT WITH BRAZIL[33]

[The initial paragraphs are concerned with procedure.]

I should mention, so that we all know what we are doing, the following two points:

(1) If Brazil should be at war and the United States neutral, the first paragraph of Article First would impinge upon the Neutrality Act.[34] This may arouse no concern with respect to another American republic or the Philippines; but I assume could not be regarded as a precedent in dealings with a non-American country;

(2) The draft agreement is strictly military. It freezes out a number of objectives of the Civil Aeronautics Board, with which we are discussing a civil aviation agreement with Brazil involving the civilian use of airports built or improved in Brazil with United States Government funds.

W. N. WALMSLEY, JR.

711.3227/3–244

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

[Extract]

WASHINGTON, March 2, 1944.

SIR: Reference is made to the Department's telegram 416 of February 7, 1944[35] concerning the proposed military aviation agreement.

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[32] Addressed to Mr. Bonsal and Mr. Duggan, Office of American Republic Affairs; Mr. Hickerson, Division of British Commonwealth Affairs; Mr. James Clement Dunn, Office of European Affairs; Mr. Hackworth, Legal Adviser; Mr. Yingling, Office of the Legal Adviser; and Mr. Berle, Assistant Secretary of State.

[33] In a marginal note by Mr. Walmsley, dated March 1, the oral clearance of the draft agreement by the Joint Chiefs of Staff is indicated, and in a note (not printed) from Mr. Stettinius to Mr. Berle, dated February 23, 1944, the President's attitude was described thus: "He did not desire to see the arrangement and thinks it is satisfactory." (711.3227/15)

[34] Approved November 4, 1939, 54 Stat. 4.

[35] Not printed.

There is now enclosed a draft agreement [35a] approved by the Joint Chiefs of Staff and the Department.

You are accordingly requested, as directed by the President, to give high priority to negotiation of the agreement with Brazil.

This proposed agreement with Brazil is an integral part, as you are aware, of an extensive system of postwar security which the Joint Chiefs of Staff are preparing at the President's direction. The terms of the Brazilian arrangement may therefore set important precedents. You are accordingly requested in the course of your negotiations to clear proposed changes with the Department, which in the President's directive [36] is to receive its military guidance from the Joint Chiefs of Staff.

The following observations may be useful to you:

(1) At the insistence of the Joint Chiefs of Staff, the word "technical" has been omitted from the name of the Commission. If you believe it important to reinstate this word, the Department feels it can gain the acquiescence of the Joint Chiefs;

(2) The detail with which Exhibit I [37] (see Article Fifth, paragraph (*a*) and enclosure) is prepared is left to your discretion and that of Vice Admiral Ingram and Major General Walsh;

(3) The President states that our personnel at the airports after the war would not wear uniforms (Article Fifth (*c*));

(4) The United States considers the exclusive jurisdiction clause in Article Eleventh a rule of international law. In this war our exclusive jurisdiction has been recognized in foreign territory by every government with which it has been taken up (with the exception of Iran, where an agreement is still pending).

. . . . . .

Very truly yours, For the Secretary of State:
A. A. Berle, Jr.

811.24500/2–144

Memorandum by the Secretary of State to President Roosevelt

Washington, April 7, 1944.

Under your directives of January 7 and February 1, 1944, Ambassador Caffery is negotiating for our postwar military use of air bases in Brazil.

These negotiations disclose that President Vargas appears ready to give us what we desire provided that we give Brazil benefits of protection analogous to the security benefits we derive from our continued use of Brazilian bases. President Vargas wants 1) a continuing guarantee of assistance to Brazil in the event of attack not only by

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[35a] Not printed.

[36] See the President's letter of January 7 to the Secretary of State, p. 546.

[37] Exhibit I was a list of airports and appurtenances referred to in the agreement.

an extracontinental power but by any other country of this hemisphere and 2) a continuing flow of armament to Brazil.

. . . He thinks that the United States should help make Brazil secure, just as by granting us permanent military use of the air bases he is helping to make the United States secure.

With your approval, I propose to meet President Vargas' request as follows:

1. Abrogate the politico-military agreement of May 27, 1942, which was in effect an outright alliance with Brazil, and replace it with a new agreement placing our intention to assist Brazil in the event of aggression upon it within the general framework of our inter-American undertakings regarding hemisphere defense, security, and solidarity.

2. Provide Brazil in the future with armament in accordance with the following general propositions, which in essence are identical with those contained in my letter to Admiral Leahy of February 29, 1944 (copy attached): [42]

(1) That it is to the interest of continental security that the Brazilian Army be maintained on an efficient basis;

(2) that the Brazil–United States Joint Defense Commissions be continued at Washington and Rio;

(3) that the Commissions make recommendations regarding Brazilian needs for equipment and similar military technical matters;

(4) that the equipment be furnished under a new agreement to replace the existing lend-lease agreement;

(5) that familiarization and refresher courses for Brazilian officers in the United States, and vice versa, be continued as part of military cooperation for hemisphere security.

The main virtue of such an arrangement would be its applicability in varying degrees to other American republics.

I am studying the necessity and desirability of submitting the agreement to the Senate for its consent and ratification.

C[ORDELL] H[ULL]

711.3227/40: Telegram

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

RIO DE JANEIRO, April 11, 1944—3 p. m.
[Received 8:17 p. m.]

1341. Having in mind my telegrams 1313, April 9, noon, 1314, April 10, noon and 1315, April 10, 1 p. m.,[43] Salgado yesterday afternoon stated emphatically that he was compelled to include in the agreement a statement making clear that the agreement implied no right to establish permanent armed forces of the United States on the

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[42] Not printed.
[43] None printed.

air bases (he did not mean to include in this, of course, our personnel for the maintenance and upkeep of airports and aircraft); and he insisted President Vargas would take the same stand. He made it clear that he did not wish to keep us from locating air combat crews and military aircraft on the airports on what he called a temporary basis and emphasized that "temporary" was an elastic word; further he said, from a practical standpoint, a provision of the type he suggested would not prevent our making use of the airports in any and all ways we are presently contemplating. (It is clear that news of these negotiations has reached several additional officers of the Air Ministry and it is apparent that their apprehensions and their definite opposition to anything approaching a miltary occupancy has caused Salgado to take this stand. In fact, in my opinion it is almost certain that by including a provision of this kind the Government will avoid efforts on the part of officials in the Air Ministry and elsewhere to sabotage the agreement). With some effort Salgado was persuaded not to include anything of the sort in the body of the agreement and was persuaded to tack on, at the end of the fifth whereas after the semicolon, a provision reading as follows:

"Without in any manner implying the permanency of the armed forces of the United States of America on the bases in question which are enumerated in exhibit no. 1 to this document".

In view of similar apprehensions Salgado desired to make other changes but was persuaded to drop them.

In view of the possibility of other changes being suggested in view of the circumstances described above, I respectfully request early authorization for the inclusion of this additional phrase.

Salgado accepts the name of Brazil–United States Technical Airport Commission.

CAFFERY

711.3227/70: Telegram

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

RIO DE JANEIRO, April 25, 1944—1 p. m.
[Received 1:52 p. m.]

1525. As I have frequently reported, President Vargas has consistently contended that the Brazilian interest in an agreement having to do with the air bases (aside from being agreeable to the United States) was a security one. By security he means some sort of a tie with the United States: I repeat, with the United States—not with the Spanish-American countries; and the stronger the better. That is why Aranha [44] was so insistent on even stronger wording under the

[44] Oswaldo Aranha, Minister for Foreign Affairs.

fourth and last whereases. (As I said in my telegram No. 1499 of April 24, 11 a. m.,[45] we persuaded him to water down his original language, as you have noted, we kept it out of the body of the agreement: obviously we believed that the present wording could not be interpreted as raising "suspicions of secret commitments.")[46] We realize that the agreement or at least the body thereof or a summary will probably one day be subjected to scrutiny.

Vargas and his service Ministers are interested also in "other agreements": What they mean by other agreements is (in line with the recent published statement of the Subcommittee for Naval Affairs) letting Brazil have naval vessels after the war.

In other words, if we are not prepared at least to go through motions sympathetic to Vargas' desires, I do not believe there is much chance of concluding this agreement. I do not mean to say the present wording of the fourth and last whereases is infallible but I do mean to say that Vargas and his service Ministers will be put out if they are changed and very much put out if they do not obtain something at least as desirable from their point of view.

I do not mean to imply that Brazil would be opposed to a "general security arrangement" but I do mean to imply very clearly that they would not want to connect it in any way with an air base agreement.

You have probably noted in my telegram No. 1523 of April 25, 11 a. m.,[45] that as far as the Brazilian public is concerned, it is not getting any easier day by day for President Vargas to put through any agreement at all.

CAFFERY

711.3227/131

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

No. 16411 RIO DE JANEIRO, June 14, 1944.
[Received June 24.]

SIR: With reference to my telegram No. 2175 of June 14, 5 PM[45] reporting the successful conclusion of the negotiations for the military aviation agreement, I have the honor to transmit herewith the original of the Portuguese text handed me by Aranha and copies of the English text which I handed to Aranha, together with the text of the covering notes which was suggested by Aranha and to which I took no objection.

Respectfully yours, JEFFERSON CAFFERY

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[45] Not printed.

[46] The Ambassador reported that President Vargas would not oppose publication of the agreement, or a summary of it.

[Enclosure]

The American Ambassador in Brazil (Caffery) to the Brazilian Minister for Foreign Affairs (Aranha)

RIO DE JANEIRO, June 14, 1944.

EXCELLENCY: I have the honor to confirm the agreement which has been reached by the Governments of Brazil and the United States of America, the text of which, consisting of nine pages, and one exhibit consisting of four pages,[47] all of them initialed, I herewith transmit to Your Excellency.

The present agreement will be kept secret until decision to the contrary by both Governments.

I avail myself [etc.] JEFFERSON CAFFERY

[Subenclosure—Translation] [48]

Military Aviation Agreement Between the United States and Brazil

[RIO DE JANEIRO, June 14, 1944.]

WHEREAS the United States of America and the United States of Brazil at the Eighth International Conference of American States at Lima reaffirmed their purpose to defend the principles of continental solidarity and absolute sovereignty against all foreign activity that might threaten them; and

WHEREAS the United States of America and the United States of Brazil in pursuance of Resolution XV of the second meeting of the Ministers of Foreign Affairs of the American Republics at Habana entered into various agreements deemed necessary to organize cooperation for continental defense and mutual assistance against extra-continental threats of aggression; and

WHEREAS among the several agreements entered into and measures adopted through mutual consultation by the United States of America and the United States of Brazil none has been more effective in fortifying the continent against external aggression and in strengthening the extremely close political and military relations which have always existed between the United States of America and the United States of Brazil, than the joint Brazil-United States air, military and naval arrangements entered into in connection with the present conflict; and

WHEREAS, prudence and the responsibilities within the system of their own and the continental defense freely assumed by the United States of America and the United States of Brazil demand of the two

[47] Exhibit not printed.

[48] The original agreement, signed by Ambassador Caffery and Foreign Minister Aranha, appears to have been made only in the Portuguese language.

countries that they take the necessary measures to promote their mutual security and to defend their territories and areas of mutual interest against possible threats of aggression following the cessation of hostilities, and that the two Governments commit themselves to strengthen the close political and military cooperation already existing between the two countries; and

WHEREAS, because of the great development in aerial warfare that has already taken place and that may be expected in the future, the foregoing defense policy requires, as a first step (without prejudice to similar understandings regarding other military departments), from the standpoint of the protection of both countries and the continent, the continued maintenance of strategic military airports for the joint use of both governments, without in any manner implying the permanency of the armed forces of the United States of America at the air bases in question which are enumerated in Exhibit No. I to this document; and

WHEREAS, of the factors of location, military strength and resources which determine the military value of an airport, Brazil is able to furnish, among other things, certain strategic locations, adequate personnel for defense and certain resources, and the United States is able to furnish, among other things, the matériel for the military strength factor and many resources that will not be available in Brazil for some years, and it therefore would be to the mutual advantage of both countries for each to contribute the elements which each is best able to supply in order that they may together maintain bases for their mutual defense; and

WHEREAS the Government of the United States of Brazil is the sole owner of the airports enumerated in Exhibit No. I to this document and under the terms of Decree No. 3462 of July 25, 1941 these airports will be under its exclusive command, flag, symbols and military regulations;

THEREFORE the Governments of the United States of America and of the United States of Brazil, firmly resolved to take every measure toward contributing to the maintenance of world peace and to defense against any aggression against their territories and also to keep danger from continental shores, agree upon the following terms for continuation of their military air cooperation in the post-war period.

ARTICLE FIRST

The territories affected by the present agreement are:

(*a*) In the case of the United States of America, continental United States, Puerto Rico and the Virgin Islands;

(*b*) In the case of the United States of Brazil, continental Brazil and Fernando Noronha Island.

ARTICLE SECOND

For the purposes of the present agreement "military aircraft" are defined as aircraft of the Army, Navy or Air Forces of either Government, and civil aircraft operated in military traffic under contracts with the armed forces of either Government, in no case as common carriers.

ARTICLE THIRD

(*a*) The airports and their appurtenances described in Exhibit I, and facilities necessary for their operation (hereinafter referred to as the "strategic airports"), and any other airports located either in the territories described in Article First or elsewhere outside of the continent which, by future agreement between the two Governments may be designated as strategic airports, may be freely used by the military aircraft and personnel of both Governments in accordance with the laws of the respective countries and in compliance with the present agreement. The exact boundaries of the aforesaid airports described in Exhibit No. I, their appurtenances and facilities shall be determined by a Technical Commission for the Conservation of Airports hereinafter provided for, with the approval of the Minister of Aeronautics.

(*b*) The radio, meteorological, communications, repair, storage and other equipment and facilities constructed or installed at any strategic airport, or which may hereinafter be constructed or installed thereat, together with any gasoline storage facilities, equipment and pipe lines now or hereafter constructed or installed at or in the vicinity of any strategic airport for use in connection with its operation, may be freely used by the Air Forces of each country during the life of this agreement. Such equipment and facilities shall be considered an integral part of such strategic airports.

(*c*) Either Government may maintain at each strategic airport such personnel as may be necessary for the servicing and maintenance of the airport and of such of its military aircraft as may from time to time be located at or making use of the airport.

ARTICLE FOURTH

In view of the joint use for defense of the strategic airports and facilities contemplated by the present agreement, the two Governments agree that each should participate in the responsibility for the maintenance of the strategic airports and facilities. In order to discharge their joint responsibility and to provide for the efficient maintenance of the said airports, although the airports continue to belong to the Government of Brazil and subordinate to the Ministry of Air, the two Governments hereby establish a Technical Commission for the Con-

servation of Airports, composed of equal numbers of representatives of the Brazilian Air Force and of the armed forces of the United States of America. The Commission shall determine its procedure.

ARTICLE FIFTH

The two Governments agree that:

(*a*) The Technical Commission for the Conservation of Airports, which will have its headquarters at the Ministry of Aeronautics, will be able to superintend the operation and maintenance, and shall prescribe regulations for the use, of each strategic airport and its facilities;

(*b*) The Commission shall recommend to the two Governments a formula for the equitable distribution of the costs of maintenance and operation of the strategic airports;

(*c*) The Commission will propose additional equipment and facilities which it may be advisable to construct or install at any of the strategic airports by and at the expense of either Government subject to the approval of the Governments.

(*d*) The Commission shall formulate plans for expansion of the training already initiated in Brazil and in the United States for the preparation of Brazilian technicians in the operation of airports and facilities. The Government of the United States of America will make available suitable facilities at its disposal to provide such training.

ARTICLE SIXTH

The use of the strategic airports and facilities by civil aircraft as now and hereafter permitted by the Brazilian Government shall not be affected by this agreement, but operations of such aircraft shall be subject to the provisions of paragraph (*a*) of Article Fifth.

ARTICLE SEVENTH

The military aircraft of each Government shall, subject to the limitations of the present agreement, be permitted to fly into, over and away from the territory under the jurisdiction of the other Government. Subject to the provisions of the present agreement and to the laws of the respective countries, the military aircraft of each Government shall further be accorded the right to land at and take off from airports, and to use all airport and navigational facilities, within the territory of the other open to its own military aircraft.

ARTICLE EIGHTH

The military aircraft of each Government and the military, naval, air forces and other official personnel, and official supplies, equipment and material carried on such aircraft, while within or over the ter-

ritory of the other country, shall not be exempt from the laws in force in that territory, except as otherwise provided in this agreement.

ARTICLE NINTH

Each Government reserves the right, for considerations of military security or in the interest of public safety or for other sufficient reasons, to restrict or prohibit, over zones each Government may from time to time define, air traffic by military aircraft of the other Government. Each Government shall promptly communicate to the other information regarding such zones and regulations it may adopt in connection with them.

ARTICLE TENTH

No import, excise, consumption or other tax, duty or impost shall be charged by either party on material, equipment, supplies or goods brought into its territory for the use of the other party, under the present agreement, or for the official use but not for private and personal use of its armed forces or its civilian personnel on the territory by reason of employment under the present agreement.

ARTICLE ELEVENTH

No member of the armed forces of either party and no civilian personnel of either party resident on the territory of the other by reason of such employment under the present agreement shall be liable to pay income tax on income derived from the Government by which he is employed, unless he is a national of the country on whose territory he is serving.

ARTICLE TWELFTH

The present agreement shall become effective upon signature and shall run for ten years unless the two Governments agree to the contrary. It shall thereafter remain in effect until twelve months after the day on which one of the Governments advises the other of its intention of terminating it.

711.3227/131a : Telegram

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

WASHINGTON, June 23, 1944—9 p. m.

1928. The Department is issuing an invitation to the Brazilian Government through the Embassy here to hold bilateral exploratory conversations for the purpose of exchanging views on post-war aviation, with particular reference to the development of international air transport. During these conversations we plan to submit a draft of

a proposed bilateral agreement on international air transport for the study and comments of the Brazilian Government.

Accordingly, the Department believes that unless you have already commenced negotiations, you should not now submit the draft civil aviation agreement which was forwarded to you with the Department's instruction 5691, March 2, 1944.[51]

Because of the special situation existing in regard to airports in Brazil, there will be included in the draft air transport agreement [52] an article similar to Article 22 of the draft agreement sent to you on March 2d.[53]

HULL

ARRANGEMENTS MADE BY THE UNITED STATES AND BRAZIL FOR SENDING A BRAZILIAN EXPEDITIONARY FORCE TO THE MEDITERRANEAN THEATER OF OPERATIONS [54]

832.20/611

The Secretary of State to Admiral William D. Leahy, Chief of Staff to the Commander in Chief of the Army and Navy

WASHINGTON, April 15, 1944.

MY DEAR ADMIRAL LEAHY: About a year ago the Joint Chiefs of Staff approved in principle a plan for the collaboration in an overseas theater of a Brazilian Expeditionary Force.

The reasons for the War Department's approval of a Brazilian Expeditionary Force are no doubt familiar to you.

The Department of State, on its part, favors this plan because of important political considerations, such as the strengthening of Brazil's present position, and its voice in post-war settlements, equivalent to strengthening our own. Also the plans for active participation in the war by Brazilian troops have given a lift to Brazilian public morale.

Subsequent to the Joint Chiefs of Staff's action last year, the Army General Staff worked out the details for the Brazilian Expeditionary Force, including settlement upon the Mediterranean, with General Eisenhower's [55] concurrence, as its theater of operation.

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[51] Not printed.

[52] Discussion of this proposed agreement appears to have been indefinitely deferred in favor of proposed multilateral conventions on air navigation and air transport. For correspondence on these general agreements, see vol. II, pp. 355 ff.

[53] Draft agreement of March 2 not printed.

[54] For further information on the Brazilian Expeditionary Force, 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. 327 ff.

[55] Gen. Dwight D. Eisenhower, Commanding General, European Theater of Operations.

I feel the time is propitious for implementing the plan approved in principle last year. There are signs, for example, of a growing impatience in Brazil by the highest authorities to get started before the public becomes apathetic and the President's critics make political capital of the delay.

I therefore urge favorable action forthwith to implement the program for a Brazilian Expeditionary Force in the Mediterranean theater and to fix embarkation dates for it. I am informed that prior approval is needed from the Combined Chiefs of Staff or the new British command in the Mediterranean.

Sincerely yours, CORDELL HULL

832.20/632a : Telegram

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

WASHINGTON, May 6, 1944—midnight.

1445. The Combined Chiefs of Staff yesterday evening approved the War Department recommendations for the BEF, including dates for movement of the first contingents. This would be very soon.

The War Department asks that we keep in mind that absolute secrecy of sailing dates is essential to security.

General Leitão de Carvalho [56] was the first to be informed last night.

HULL

DISCUSSIONS CONCERNING DEFENSE SUPPLIES AND EQUIPMENT FOR BRAZIL [57]

832.24/2691a

The Secretary of State to President Roosevelt

WASHINGTON, January 8, 1944.

MY DEAR MR. PRESIDENT: The recent revolution in Bolivia [58] has produced deep anxiety among the other South American countries because of their belief that it had the sympathy and support of the Argentine Government. They are fearful that Argentina may have plans to encourage similar revolutions elsewhere.

I share this concern and believe that we should take all proper and effective steps to support these countries, some of which have declared

[56] Senior Brazilian member of the Joint Brazil–United States Defense Commission.

[57] For previous correspondence concerning cooperation between the United States and Brazil on certain measures for hemisphere defense, see *Foreign Relations*, 1943, vol. v, pp. 616 ff.

[58] For correspondence on the problem of recognizing the Bolivian revolutionary junta, see pp. 427 ff.

war and others broken relations with the Axis. The Good Neighbor Policy and our war effort might be seriously jeopardized otherwise.

A step that would have a most healthy psychological effect would be to provide Brazil with certain additional arms and equipment.

In Brazil, it would show the Government and people that we are standing behind them in a realistic way and would permit Brazil to move forward with its preparation to send an overseas expeditionary force.

The effect in neighboring countries would be salutary. In particular, Paraguay and Uruguay, both of which border on both Argentina and Brazil, would feel reassured.

. . . . . .

It is therefore recommended that you strongly urge the Munitions Assignments Board to assign to Brazil such additional arms and equipment as the War Department may feel it can spare without impairment to combat operational requirements.

Faithfully yours, CORDELL HULL

832.852/92

Memorandum by President Roosevelt to the Secretary of State

WASHINGTON, January 12, 1944.

During the last two or three days, I have had several conversations in regard to Argentina, Bolivia and neighbors which make me more disturbed in regard to the future. It is not yet proved in the sense that we have full documentary evidence, but I believe that the plot is more widespread than most people believe; that it has direct ramifications in Paraguay and that a great deal of preliminary work has been done in Uruguay, Chile, and Peru.

Therefore, I am in hearty accord with the thought that this trend should be nipped in the bud . . .

At the same time, I think it is essential that we made a move at once to build up the strength of Brazil. This should cover American arms and munitions and possibly more Army instructors . . .

Furthermore, I am inclined to think that we should let Brazil have some Lend-Lease cargo ships to take the place of the many Brazilian ships which have been sunk.[60]

It would be possible to pursue one of two courses—either announce the whole thing publicly, or let it leak out—which would occur in a very short time.

F[RANKLIN] D. R[OOSEVELT]

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[60] For correspondence on the return to Brazil of certain chartered vessels, see pp. 642 ff.

832.24/2725

Memorandum by President Roosevelt to the Secretary of State

WASHINGTON, January 14, 1944.

I have a memorandum from Mr. Lubin saying that the Ground Committee of the Munitions Assignments Board has assigned tanks, armored cars, and various types of guns to Brazil.

I hope this will see things through and do a lot of good.

F[RANKLIN] D. R[OOSEVELT]

832.852/92

Memorandum of Conversation, by the Secretary of State

[WASHINGTON,] January 18, 1944.

The Brazilian Ambassador [61] called at his request. He made a very earnest plea for further consideration by the Navy of the application of his Government presented to Ambassador Caffery and other officials in the State Department for two or three light cruisers to patrol the South Atlantic. I explained to him that the Navy had seemingly failed to act favorably because of an utter lack of vessels which were needed for more urgent services elsewhere. I also made a similar explanation about the request of the Brazilian Government for additional merchant vessels.[62] I said it would give me special satisfaction to urge the appropriate officials in the Government to review and reconsider further these two applications of the Brazilian Government. He expressed his appreciation.

I then said that I had kept in close touch with Ambassador Caffery in connection with the entire list of things the Brazilian Government desired from this Government and that I felt that we had made real progress in according favorable action on almost all of them, including material and equipment for a military force for the southern area. The Ambassador agreed as to this.

C[ORDELL] H[ULL]

832.24/2725

Memorandum by the Secretary of State to President Roosevelt

[WASHINGTON,] January 22, 1944.

Thank you for your memorandum regarding the assignment of additional military supplies to Brazil. Ambassador Caffery, who will be back in Brazil about January 26, will personally tell Presi-

[61] Carlos Martins Pereira e Sousa.

[62] See pp. 642 ff.

dent Vargas the good news. Since Ambassador Caffery's conversation with you the War Department has decided to construct two good airports in southern Brazil,[63] one at Florianópolis and the other at Pôrto Alegre. All of these measures should have a very reassuring effect.

C[ORDELL] H[ULL]

832.24/2748

Mr. Isador Lubin, Assistant to President Roosevelt's Special Assistant (Hopkins), to the Secretary of State

WASHINGTON, January 24, 1944.

MY DEAR MR. SECRETARY: In making its regular monthly assignments for the month of February 1944, the Munitions Assignments Board filled in a number of the gaps on the new Brazilian Program, a first report on which was sent to you some days ago.

The items assigned out of February production include the following:

Rocket launchers (Bazookas) & Ammunition
Ammunition for the small arms assigned two weeks ago
Miscellaneous automotive equipment (motorcycles, jeeps, cargo trucks, wreckers, and service vehicles)
Helmets
Miscellaneous signal equipment
Miscellaneous engineer equipment
Explosives
Bleaching material.

Very sincerely, ISADOR LUBIN

832.24/2731a : Telegram

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

WASHINGTON, January 25, 1944—1 p. m.

271. From Duggan.[63a] The War Department has asked informally whether the State Department contemplates requesting assistance for Brazil in addition to those measures agreed upon while you were here (shipment of extra equipment and munitions and the construction of airports in southern Brazil), indicating that it would be willing to consider other steps, if recommended. The War Department has been informed that no further measures are contemplated at the

[63] See also section entitled "The conclusion of a military aviation agreement between the United States and Brazil . . .", pp. 543 ff.

[63a] Laurence Duggan, Director of the Office of American Republic Affairs.

moment, but that requests for additional assistance may become necessary as the situation develops.

As soon as you have had an opportunity to exchange views with President Vargas, I think it would be well for you to telegraph your recommendations concerning any further assistance that may appear essential and that the War Department would have to furnish.

It is not my intention to suggest that such further assistance should be requested unless definite advantages would result, but I do believe that if your discussions with the Brazilians should demonstrate the desirability of further assistance, the sooner the request is made the greater the prospects of favorable action, since the War Department is in a receptive frame of mind. It would, of course, be helpful if General Walsh's [64] support of any proposed request could be counted on. [Duggan.]

HULL

832.30/543

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

No. 14722 RIO DE JANEIRO, February 25, 1944.
[Received March 6.]

SIR: Referring to my despatch No. 14708 of February 24, 1944 [65] concerning the new Brazilian naval program proposed by the Minister of the Navy,[66] I have the honor to transmit herewith some comments thereon prepared by Captain W. S. Macaulay, Chief of the United States Naval Mission:

"1. . . .[67]

"2. These comments are based on the following assumptions:

(*a*) That the Natal statement of Presidents Roosevelt and Vargas [68] that they had 'reached complete agreement that it must be permanently and definitely assured that the coasts of West Africa and Dakar never again under any circumstances be allowed to become a blockade or an invasion threat against the two Americas' will be implemented.

(*b*) That Brazil and the United States will conclude a new or continue the existing Political-Military agreement for their mutual and joint defense and for the defense of the Western

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[64] Maj. Gen. Robert L. Walsh, Commanding General, United States Army Forces, South Atlantic.

[65] Not printed.

[66] Adm. Henrique Aristides Guilhem.

[67] Omission indicated in the original despatch.

[68] For correspondence on the meeting of the Presidents at Natal, see *Foreign Relations*, 1943, vol. v, pp. 653 ff.

Hemisphere, i.e., the United States and Brazil are assuming mutual responsibility.

(*c*) That after the war the United States will have more naval tonnage available than will be desirable for us to keep in commission.

(*d*) That a 'quid pro quo' will be agreed upon for the transfer of naval vessels to Brazil.

(*e*) That the U.S. Naval Mission will be continued after the war and will be able to exert influence on the disposition, employment and operation of these vessels after their transfer to Brazil.

(*f*) That transfer of vessels will be made with the proviso that such transfer will be effected when the U.S. Navy considers Brazilian crews are sufficiently trained to operate the vessels concerned.

[Here follows an analysis of certain military and naval factors in the situation.]

"11. From a purely military viewpoint, i.e., without considering the political aspects involved, if the Brazilian Navy did not maintain a force capable of carrying out the above tasks the United States should. A logical U. S. task force for this area would consist of one division of cruisers (4), two carriers, and two destroyer squadrons (sixteen destroyers and two destroyer leaders) with necessary tenders and base defense vessels. This corresponds very closely to the Brazilian Naval program.

"12. It therefore appears that provided the assumptions stated in paragraph 2 are correct the principle of transferring excess naval tonnage to Brazil is sound from the U.S. point of view and that the naval program proposed by the Minister of Marine is a reasonable, practical and well balanced program in the existing international situation."

Respectfully yours, JEFFERSON CAFFERY

832.24/2803 : Airgram

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

RIO DE JANEIRO, February 28, 1944—noon.
[Received March 4—1 p. m.]

A–345. President Vargas has personally brought following to my attention with request for good offices:

Within the next few days he will instruct his Ambassador in Washington to apply for some 3000 to 3500 trucks under Lend-lease. He explained to me that the transportation system of the country is critical and that these trucks are urgently needed not only for the Army but also to move foodstuffs, etc., from the interior.

I told the President that I would transmit this information to the Department.

CAFFERY

832.24/2815

Memorandum by the Secretary of War (Stimson) [69]

WASHINGTON, 29 February 1944.

Reference is made to your letters of 3 January and 7 January 1944 [69a] in regard to the desire of the Government of Brazil to purchase surplus construction and engineer equipment and to secure the services of the Army Engineers in rendering supervision and technical assistance on various Brazilian Government projects.

While no final reply can be made at this time, due to the factors involved in the disposal of the equipment, the Commanding General, United States Army Forces South Atlantic, has been advised this date that the Department of State has been informed substantially as follows:

a. That the United States does not intend to remove any construction equipment now in Brazil other than items presently in short supply or those required by urgent operational needs, and that it is believed it will be apparent to the Brazilian Government that the requirements of the war situation prevent making any more definite agreement at this time.

b. That the United States Government is prepared to sell to Brazil certain equipment now located in that country, which it is considered will not be required later. In addition, the Commanding General, United States Army Forces South Atlantic, has been directed to make a study of our own equipment needs in Brazil and submit a list of items, which in his opinion, may be sold immediately to the Brazilian Government.

c. That, in addition, the District Engineer will be authorized to rent such equipment as is not presently required by us, and that the matter of sale of additional equipment will be given consideration as the present uncertainties are resolved.

d. That designation of the District Engineer in Recife as the agency through which technical assistance and supervision may be made available to the Brazilian Government in planning, designing and effecting the construction of public projects directly connected with our supply and operation, is approved in principle.

e. That if the Brazilians request any further technical assistance and supervision, it is desired that before making any commitments, specific plans and recommendations be submitted, with a statement showing extent of United States participation and of Brazilian responsibilities and their willingness to finance projects.

f. That, in all of the above, it is desired that Ambassador Caffery be consulted and his recommendations obtained.

This information is furnished to you for transmittal to Ambassador Caffery. General Walsh, the Commanding General, United States

[69] Addressed to the Department of State, for the attention of Mr. Laurence Duggan, Director of the Office of American Republic Affairs.

[69a] Neither printed.

Army Forces South Atlantic, will in each case conduct his negotiations with the Brazilian Government through our Ambassador to Brazil and has been so instructed.

For the Secretary of War:
CHAS. W. MCCARTHY
Colonel, G.S.C.
Chief, Liaison Section, O.P.D., W.D.G.S.

711.32/217 : Telegram

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

WASHINGTON, March 14, 1944—9 p. m.

851. The Brazilian Ambassador has delivered the following message from President Vargas:

"It is desirable that President Roosevelt know that in whatever emergency that may arise the attitude of Brazil will be, as always, one of complete solidarity with him."

The President has told me how deeply he appreciated receiving this timely message from President Vargas and asks you to deliver to him a personal message along the following lines:

"President Roosevelt is most appreciative of the cordial message from President Vargas delivered by Ambassador Martins. It is the President's conviction that the cooperation of Brazil and the United States, which has been vital to the progressive removal of the threat of aggression to the Continent, has a no less important part to play in guaranteeing the era of peace and security which must result from the efforts and the sacrifices of the war years."

HULL

832.24/2833

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

No. 14941 RIO DE JANEIRO, March 15, 1944.
[Received March 21.]

SIR: With reference to my despatch No. 13817 of December 11 [70] concerning the Brazilian Government's desire to acquire surplus United States Army engineering and construction equipment in Brazil, I have the honor to report that Brigadier General John S. Bragdon, accompanied by Colonel Malcolm K. Moore and Lieutenant Colonel Norman W. Haner, arrived in Rio de Janeiro on March 7, for

[70] *Foreign Relations*, 1943, vol. v, p. 650.

the purpose of discussing this matter with the Brazilian authorities. The Embassy immediately notified President Vargas and Dr. Aranha,[71] and word was subsequently received from the Presidential secretariat that General Bragdon should conduct his negotiations with General Mendonça Lima, the Minister of Transportation and Public Works.

On March 8, General Bragdon and Colonels Moore and Haner, accompanied by Theodore A. Xanthaky of the Embassy staff, called on General Mendonça Lima. At that meeting Dr. Yeddo Fiuzza, Director of the National Department of Highways and Dr. Castilhos, Director of the National Department of Railroads, were also present. A memorandum (enclosure No. 1)[72] which had been prepared was read to General Mendonça Lima who made it clear that the Brazilian Government desired only to acquire the equipment (see attached memoranda of conversations prepared by General Bragdon and Mr. Xanthaky—enclosures 2 and 3), and was not interested in obtaining technical assistance. It was agreed verbally therefore that as equipment became available it would be shipped to Rio de Janeiro and rehabilitated there by American technicians who would be hired in the United States by the U.S.E.D.[73] The expense involved, as well as transportation charges, etc., etc., would be outlaid by U.S.E.D., which in turn would be reimbursed by the Brazilian Government as part of the overall price of the equipment.

I am enclosing draft of a self-explanatory letter (enclosure 4) to General Mendonça Lima which was prepared in conjunction with General Bragdon for the Ambassador's signature. On March 14th, Colonel Moore and Mr. Xanthaky met with General Mendonça Lima, who stated that he was in entire agreement with the terms of this letter and would reply in writing to that effect as soon as he received it. He added that he had already obtained clearance on this subject from President Vargas based upon the conference of March 8th (see enclosures 2 and 3). It was explained to General Mendonça Lima that there would be a delay of a few days before the letter reached him as the Ambassador was out of town and would only return to Rio on March 17th. General Mendonça Lima then verbally authorized Colonel Moore to go about employing his American technicians and sending them to Rio de Janeiro as soon as possible. During the course of the day, Colonel Moore and Mr. Xanthaky also met with Dr. Yeddo Fiuzza, who has been designated by the Ministerio to handle this matter. Dr. Fiuzza arranged for Colonel Moore to see

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[71] Oswaldo Aranha, Minister for Foreign Affairs.
[72] Enclosures mentioned in this despatch not printed.
[73] United States Engineering Department.

the existing repair shops and arrangements were made for their expansion, etc., in accordance with Colonel Moore's recommendations.

Respectfully yours, For the Ambassador:
JOHN F. SIMMONS
Counselor of Embassy

832.24/2848

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

No. 15025 RIO DE JANEIRO, March 20, 1944.
[Received March 28.]

SIR: Referring to recent correspondence having to do with the disposal of the surplus Army equipment, and with special reference in that connection to my despatch No. 14941 of March 15, 1944, I have the honor to report that I am not happy about the status of this matter. Unless I have been mistakenly informed, the price we are asking the Brazilians is high. I say this only because of the bearing it may have on our present negotiations in connection with the proposed Brazilian-American Airport Agreement.[75]

Respectfully yours, JEFFERSON CAFFERY

832.24/2838 : Telegram

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

RIO DE JANEIRO, March 24, 1944—6 p. m.
[Received 10 : 36 p. m.]

1117. Reference final paragraph Department's 950, March 22, 9 p. m.[75] The need for commercial trucks to transport foodstuffs, fuel and other products essential to Brazil's economy is of major importance to Brazil. The situation has changed materially, since our A–530, March 23, 1943,[76] and Brazil will need at least 2,637 trucks and other commodities resulting from inadequate transportation facilities. It is also of the greatest importance that Brazil receive as quickly as possible the spare parts ordered by preference requests now on file in Washington.

The Brazilian Government has signified its intention to ration the trucks in Brazil in accordance with the conditions established in the United States by General Conservation Order M–100 [77] and its amendments (see Embassy's despatch 15045, March 22 [78]).

CAFFERY

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[75] For correspondence concerning this agreement, see pp. 543 ff.
[76] Not printed.
[77] An order which established the rationing, among other things, of trucks and trailers in the United States.
[78] Despatch not printed.

711.32/209

The Assistant Secretary of State (Berle) to the Assistant Secretary of War for Air (Lovett)

WASHINGTON, March 24, 1944.

MY DEAR MR. LOVETT: I should like to call to your attention a situation in Brazil that you are interested in and regarding which I feel confident you will wish to lend a hand.

Over the past two years or more, there has been an accelerated shifting of the burden of internal transportation in Brazil away from the coastwise fleet, of which about one half has been lost (and the efficiency decreased by the convoy system), to trucks and railways. Trucking, because of the fuel shortage and in the absence of spare parts, is unable to carry its full share. The ability of the railroads, furthermore, to shoulder their share has been seriously affected by the lack of spares, replacements and new equipment; by the greatly increased shipments of substitute fuels such as high-ash Brazilian coal, and wood, in place of imported coal and oil; and by the demands for space for ever-increasing quantities of strategic materials for export. Brazil has not received any trucks for civilian use for about two years and the scarcity of spare parts has reduced, according to expert opinion, the trucking fleet by about 25 or 30 percent.

The situation has become acute in recent weeks owing to a tunnel cave-in on the main line of the Central of Brazil Railway between Rio and São Paulo.

According to the reports we are receiving, the big urban centers such as São Paulo and Rio, dependent upon trucks and railways for civilian food supplies, are experiencing an unprecedented rise in the cost of essentials.

President Vargas recently instructed his Ambassador to Washington to take up on an urgent basis with this Department and the War Department the assignment of 3,500 trucks to the Brazilian Army. Although these trucks would serve military purposes of the Army in the general sense, they would be of the utmost importance in tiding the civilian economy through the immediate critical period. A requisition for 500 of these trucks is already, I am told, in process, with the approval of the Joint Brazil–United States Defense Commission in Washington.

The Department has now received from Ambassador Caffery a telegram,[79] of which a paraphrase is enclosed, indicating the helpfulness which favorable action in the truck matter would have in the all-

[79] No. 1117, March 24, 6 p. m., *supra*.

important negotiations regarding military air bases which are now in progress. I believe that Colonel Pierrepont Hamilton, who has been sitting with representatives of this Department on these negotiations, has brought this message to your attention.

I should certainly appreciate your drawing the attention of the competent authorities in the War Department to the seriousness of the situation as described above and to the importance we attach to President Vargas' expressed need for trucks for the Army.

Sincerely yours, ADOLF A. BERLE, JR.

832.24/2908

The Assistant Secretary of War for Air (Lovett) to the Assistant Secretary of State (Berle)

WASHINGTON, 3 April 1944.

DEAR MR. BERLE: With reference to your letter of March 24 on the subject of the Brazilian request for the assignment of some 3500 trucks, the matter has been placed before the proper authorities in the War Department including both the International Division, Army Service Forces and the Operations Division, War Department General Staff.

I am today in receipt of a reply indicating that, while the shortage of trucks is very acute at this time for special reasons with which you are familiar, the appropriate agencies of the War Department recognize the importance of this matter in connection with discussions regarding military aircraft rights in Brazil. Accordingly, they have recommended to the Munitions Assignment Board that 3500 reconditioned trucks be released to Brazil over a period of time depending upon availability and shipping.

After investigation of the matter I believe that this is the quickest and most positive means of assistance that can be given at this time.

Very sincerely yours, ROBERT A. LOVETT

832.24/2909 : Telegram

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

WASHINGTON, April 4, 1944—7 p. m.

1083. Your 1056, March 21 and Department's 950, March 22.[81] War Department advises that it has recommended to the Munitions Assignments Board the allocation to Brazil of 3500 trucks to be re-

[81] Neither printed.

leased over a period of time in accordance with the availability of the vehicles and shipping space. You will be notified as soon as the MAB has taken final action.

This order will be filled, if given final approval, with reconditioned trucks, in whole or in part. If any questions are raised in this connection, you may inform the Brazilian authorities that this same practice is now being followed with our own troops, particularly in non-combat areas. This Government is fully aware of the urgency of the problem and deliveries will begin at the earliest practicable moment after final approval.

With respect to commercial trucks (your 1117, March 24, etc.), efforts are now being made to secure from current production 1172 medium units, comprising 528 Chevrolet, 430 Ford and 214 International K5, shipments to commence immediately on receipt of WPB [82] approval. It is hoped that this whole quantity will be under way by June 1, others to follow in smaller lots as production and allocations permit.

You may suggest to importers of spare parts and accessories that they submit orders for additional stocks, having regard only to unshipped orders and to what they can reasonably use in the immediate future. Attempts to build up stocks for future use will prejudice Brazil's position in later allocations. FEA [83] has agreed that reasonable orders subject to these conditions will not be held up even if they exceed existing quotas.

HULL

832.24/2892a : Telegram

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

WASHINGTON, April 15, 1944—7 p. m.

1229. Department's 1083, April 4. The Munitions Assignments Board has approved the allocation to Brazil of 1,000 reconditioned trucks, one and one-half ton, 4 x 4 cargo, with existing tire equipment. Delivery schedule is: April 100, May 200, June 350, July 350.

It seems prudent to accept this allocation, since immediate pressure for more might prejudice our future position. Ambassador Martins has been informed and will present an additional request in June if shipping has been able to absorb scheduled deliveries.

HULL

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[82] War Production Board.
[83] Foreign Economic Administration.

832.24/2928a : Telegram

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

WASHINGTON, April 27, 1944—8 p. m.

1349. Arguments have been advanced that Brazil's need for trucks is not as great as has been pictured and the following circumstances are offered in support:

1. Brazil's failure to take advantage of the offer contained in Department's 1035, March 31.[87] (WPB has so far refused to release these trucks for domestic use but has agreed to give consideration to a Brazilian request, if sponsored by FEA and the Department);
2. Mack Truck Corporation has asked that it be relieved of its Brazilian truck allocation since its distributor has been unable to move trucks on hand since 1942.
3. White Truck Company stated that it wanted no Brazilian allocation because their distributor believes additional units would be difficult to sell.
4. Several hundred Lend-Lease trucks intended for local use (and not for BEF)[88] are said to be still in Brazilian warehouses unused.

Efforts are being made to secure for Brazil minimum of 5000 trucks in 1944. The outcome is very doubtful and the foregoing prejudices must be overcome before further progress can be made.

HULL

832.24/2931 : Telegram

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

RIO DE JANEIRO, May 2, 1944—8 p. m.
[Received May 3—1:12 a. m.]

1620. Following is in reply to Department's 1349, April 27, 8 p. m.

1. The offer contained in the Department's 1035 March 31[87] was thoroughly investigated by the Bank of Brazil but because of the following facts it was unable to conclude the purchase:

The prices were 1942 dealers prices plus storage at the rate of $15 a month and interest at one percent a month; this, combined with the fact that trucks were equipped with bodies which considerably increases the inland (United States) and ocean shipping costs, resulted in an excessive landed cost so as not to permit their sale in Brazil. The truck specifications were not those usually ordered for use in Brazil. It is understood that 20 of the trucks were four-wheel drive types which are not used commercially in Brazil.

2. Mack representative here states only trucks in stock are two very large bus chassis which have not been sold because of inability

[87] Not printed.
[88] Brazilian Expeditionary Force.

to obtain suitable bodies locally but that bodies have now been ordered from the United States. He also states that he has already placed an order for 24 truck chassis and could readily sell a total of 40 to 50 large type chassis if they could be obtained.

3. The White representative informed its parent company it would be difficult to sell trucks to private operators having a limited gas ration but that there was a demand for chassis by bus lines, Government Departments, et cetera. This company also has ordinarily sold only large types in the market.

The trucks most urgently needed here are of the medium types the greater part of which have been sold in the past by Ford, General Motors and International and whose representatives here have confirmed to the Embassy and the Brazilian Government the strong demand and urgent need for these types. These three companies handle approximately 90% of the truck business in Brazil.

4. The Joint Military Commission here states that all Lend-Lease trucks intended for local use have been earmarked and are being placed in service as rapidly as the military units for which they are intended are activated. Full information with regard to these trucks has been forwarded by the Commission to the Joint Commission in Washington.

It is hoped that the foregoing information will enable the Department to continue its efforts to obtain these urgently needed trucks for Brazil.

CAFFERY

832.24/3000b

The Secretary of State to the Brazilian Ambassador (Martins)

WASHINGTON, May 31, 1944.

EXCELLENCY: I have the honor to refer to the Department's Note of December 16, 1942 [89] concerning the presentation of schedules and accounts of deliveries of, and payment for, defense articles made available to the Brazilian Government under the terms of the Lend-Lease Agreement signed on October 1, 1941 and the Supplementary Agreement signed on March 3, 1942 between representatives of the United States of America and the United States of Brazil.[90]

In this connection there are enclosed two copies of a statement prepared by the Foreign Economic Administration [91] listing the materials and equipment transferred to the Government of Brazil up to the date of March 31, 1944. It is noted that the total amount of the

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[89] Not printed.

[90] For correspondence on the negotiation of the Lend-Lease Agreement between the United States and Brazil, see *Foreign Relations*, 1941, vol. VI, pp. 528 ff., and *ibid.*, 1942, vol. V, pp. 815 ff.

[91] Statement of March 31, 1944; not printed.

items listed is $93,753,128.35. In addition to the copies of the statement mentioned, there are enclosed detailed schedules and lists of supplies and equipment [93] arranged under the headings of the respective divisions of the agencies through which the materials were obtained. It will be noted that there are also enclosed duplicate copies of Schedule A, prepared by the Air Corps, and of Schedules C and D, prepared by the Bureau of Ordnance of the United States War Department.

The Department will submit at a later date a supplementary statement which will include such additional items as may be delivered to the Government of Brazil subsequent to March 31, 1944 and which do not appear in the enclosed statement.

With a view to facilitating the payments which His Excellency the Finance Minister has stated that the Brazilian Government wishes to make, I should be pleased if you would be so kind as to transmit the enclosed schedules and accounts to the appropriate officials of the Brazilian Government to the end that steps could be taken to effect the payments to this Government in the amounts and in the manner prescribed in Article III of the March 3, 1942 Agreement.

Payment may now be made in the amount of $23,333,333.33 which fell due on January 1, 1944, in the form of a check drawn to the order of the Treasurer of the United States of America, which could be sent to this Department for appropriate disposition.

For reasons of military security, may I request that the schedules and accounts which are enclosed herewith be treated by Your Excellency's Government on a most confidential basis.

Accept [etc.] For the Secretary of State:
DEAN ACHESON

832.24/3029

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

No. 16381 RIO DE JANEIRO, June 13, 1944.
[Received June 21.]

SIR: With reference to my despatch No. 15866 of May 15, 1944,[93] and previous correspondence concerning the disposal of used construction equipment to the Brazilian Government, I have the honor to enclose copy of a self-explanatory letter [93] which I addressed yesterday to General Ralph H. Wooten,[94] based upon new information on the subject which was brought to light at a conference which I had with General Wooten and Lieutenant Colonel J. T. Knight [95] yesterday.

[93] Not printed.
[94] Commanding General, United States Army Forces, South Atlantic.
[95] District and Theater Engineer, United States Army Forces, South Atlantic.

As I have repeatedly stressed, it is of prime importance that the price exacted from the Brazilian Government for this material be reasonable and it has been my impression all along that the price we were asking was too high (my despatch No. 15025 of March 20, 1944). Yesterday's conference clearly confirmed that impression. In view of the importance of the successful conclusion of the military aviation agreement, for which no *quid pro quo* has been definitely asked by the Brazilians, I strongly recommend that the used construction equipment in question, which both General Wooten and Colonel Knight state was second-hand when it arrived in Brazil and is now by and large in a very run-down condition, be turned over to the Brazilian Government, the latter standing only the cost of transportation, repairs, etc. This is especially desirable since it is estimated that those expenses will amount to at least 60% of the cost price.

Respectfully yours, JEFFERSON CAFFERY

832.20/647

President Roosevelt to the President of Brazil (Vargas) [96]

[WASHINGTON, undated.]

MY DEAR MR. PRESIDENT: I have received from the hands of Vice Admiral Ingram your very interesting and cordial letter of April 13, 1944 [96a] in which you set forth the need of the Brazilian Navy to strengthen its resources in order to meet the requirements of hemispheric defense. I was much impressed with your clear exposition of the strategic factors relating not only to the safety of South American waters but to Brazil's responsibilities as well in the more comprehensive problem of hemispheric security.

I have noted with particular satisfaction the words of high praise in which you have referred to Vice Admiral Ingram and to the manner in which he has collaborated with the Brazilian Navy in the South Atlantic. It is gratifying to know that in his work in Brazil Vice Admiral Ingram has been true to the traditions of the American Navy.

I have discussed your letter in considerable detail with Vice Admiral Ingram. I can assure you that Brazilian requirements of additional warships are being given the most careful consideration by the appropriate officers of the United States Navy.

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[96] Transmitted by the Secretary of State to Rio de Janeiro in instruction 6032, June 13, 1944.

[96a] Not printed; in this letter the Brazilian President indicated that the most urgent requirements of the Brazilian Navy were two heavy cruisers, two light cruisers, three escort destroyers, twelve smaller units of the 1500-ton size, two aircraft carriers, and a number of tenders, sweepers, and tugs (832.20/647).

While, as you point out, your request for naval ships is not great in comparison with the size of the United States Navy and its construction program, I feel certain that through your appreciation of the scope of the struggle in which we are presently engaged you will be aware of the fact that we are now employing our ships, particularly such types as cruisers and aircraft carriers, to the utmost. The extent of our construction program must be considered in the light of the stupendous and still uncertain demands of future operations. As you are aware, however, four ships of the destroyer escort type will shortly be transferred to Brazil under Lend-Lease. Furthermore, you may rest assured that the full naval requirements of Brazil will receive primary consideration at the first favorable moment.

I am not unmindful of the important role which Brazil must continue to play in securing this Hemisphere against possible future aggression. It necessarily follows that Brazil must be equipped in such a manner as to discharge so vital a responsibility promptly and effectively, should occasion arise. While it is with deep regret that I have to inform you that the strategic situation will not permit the transfer to Brazil at this time of the floating equipment requested, I suggest that conversations be undertaken between representatives of the armed forces of Brazil and the United States to make plans for the required degree of coordination and unity of action in both the immediate and the long-range future.[97]

When such staff conversations are held, it would appear desirable to consider, not only naval strength, but also the strength of ground and air forces. All three branches of the armed forces should be given consideration, in order that total fighting strength may be determined on the basis of the guiding principle of hemispheric defense. It seems obvious to me that some voluntary control along these lines is a condition precedent to laying the foundation for future peace. I make this suggestion because I want you to be assured that the United States has a direct interest in seeing that Brazil is adequately equipped to carry out its part in any arrangements that may be agreed upon.

History will surely take note that the turning point of the war in the European theater was coincident with the action of your government in providing bases and facilities which contributed so materially to the African campaign. I am deeply conscious, not only of the generous manner in which these bases and facilities were made available, but also of the efficient cooperation between the armed forces of Brazil and those of the United States in driving the enemy from the South Atlantic. It is my desire, therefore, that Your Excellency,

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[97] For correspondence on the inauguration of staff conversations and the determination of responsibility for negotiations on post-war defense in the Americas, see pp. 105 ff.

and through you the people of Brazil, understand the appreciation of this Government, and of the American people, for the very vital aid that Brazil has contributed to our common fight against the Axis powers.

With renewed assurances [etc.] [FRANKLIN D. ROOSEVELT]

832.24/7–744

Memorandum by Mr. Philip O. Chalmers of the Division of Brazilian Affairs to the Director, Office of American Republic Affairs (Duggan)

[WASHINGTON,] July 7, 1944.

I have been informed by Colonel Meals [98] that the War Department will raise no objection to the exercise by the Brazilian Government of its own discretion as to the use to which trucks supplied for the Brazilian Army shall be put. In other words, there are no strings attached.

I think that this decision is sound, in as much as, a practical matter, it would be very difficult to control in any event. I did not hesitate to point this out to the War Department the other day.

I have informed Mr. Lobo [99] of the foregoing and the Ambassador is now drafting a telegram to President Vargas informing him of this Government's concurrence in the proposed use of these trucks.

711.3227/7–1344 : Telegram

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

RIO DE JANEIRO, July 13, 1944—4 p. m.
[Received 8 : 16 p. m.]

2509. As the Department is aware when I undertook the negotiations for the military aviation agreement with the Brazilian authorities, it was assumed that President Vargas would ask for a definite *quid pro quo*. He did not do so; he preferred to rely on our good faith and good intentions. In other words having in mind the fact that by authorizing Aranha to sign the military aviation agreement with me, he ran the risk of definitely alienating Argentina, Vargas confidently believes that we will furnish the necessary equipment for his Army, ships for his Navy and planes for his Air Forces to enable him to stand firm in the face of Argentine endeavors to line up the Southern countries against him.

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[98] Lt. Col. Robert W. Meals, Operations Division, War Department General Staff.

[99] Fernando Lobo, Brazilian Minister Counselor in Washington.

(In this connection had President Vargas requested the well-known "surplus equipment" as a *quid pro quo*, he could have had it for nothing: as set out in my despatch number 16381 of June 13, 1944, the prices being asked for the surplus equipment are very high).

In my telegram 2493, July 12, 4 p. m.,[1] I reported that President Roosevelt's recent letter created a very favorable impression on President Vargas as well as on the National Security Council, and that the top Brazilian authorities are prepared to go ahead on the basis of that letter; and that President Vargas will communicate with me in pertinent connection in the near future.

The Brazilian authorities were particularly impressed with the first two sentences of the third paragraph of President Roosevelt's letter which they believe will take care of the situation mentioned in the first paragraph of this telegram. Obviously they count on receiving that equipment under conditions at least as favorable as those under existing Lend-Lease arrangements.

They are also interested in a security agreement (third sentence of the third paragraph) "to assure cooperation against aggression directed against either country, or the hemisphere", but they would highly resent any endeavor to put them in the same category with other Latin American countries as they believe that by allowing us to do as we please in northeast Brazil: To send planes, to maintain and operate our air bases; by cooperating with us in regard to naval bases, naval controls, convoys, air patrols, et cetera; by sending troops overseas; and by signing the military air agreement, they are entitled to be put in a category apart.

They are also, of course, interested in the fourth paragraph of the President's letter having to do with Brazilian participation in extra continental arrangements.

CAFFERY

832.24/7–1344

The American Ambassador in Brazil (Caffery) to the Brazilian Minister of Transportation and Public Works (Mendonça Lima)[2]

[Translation]

RIO DE JANEIRO, July 13, 1944.

YOUR EXCELLENCY: 1. Reference is made to your letter addressed to this Embassy under date of May 9, 1944,[1] in which you considered the proposal set forth in my letter addressed to you under date of March

[1] Not printed.

[2] Copy transmitted to the Department in despatch 16875, July 13, 1944, from Rio de Janeiro; received July 25.

21, 1944,[3] setting forth certain very broad and general considerations in connection with the transfer of repaired construction equipment to your Ministry on behalf of your Government.

2. Much consideration has been given to plans which were initiated prior to the receipt of your letter of May 9, and it is now considered important that we arrive at a more specific procedure in order that this entire transaction may be consummated in a manner satisfactory to both our governments. I now propose that the entire project be divided into three (3) phases as follows:

a) The United States Government will establish a complete heavy construction equipment repair shop in the city of Rio de Janeiro in the location which you have determined as proper. Your Government will be expected to pay for all direct charges in connection with the establishment of this shop, for instance;

1. The equipment which has been selected and prepared for shipment in the United States and the cost of transportation of this equipment from the United States to Rio de Janeiro. (List of this equipment and all other lesser tools, hand tool kits, and general shop appurtenances can be presented to you promptly for your consideration.)
2. The cost of construction of adequate office space and facilities for office personnel.
3. The installation of all the equipment referred to above, including the extension of electrical power lines and other necessary connections.
4. The construction of all spare parts bins, partitions, work benches, etc., required for a shop of this size.
5. Transportation of American personnel, exclusive of Army officers, from the United States to Rio de Janeiro.
6. The compensation for American personnel, exclusive of Army officers, who participated in the above shop alterations and the installation of the machinery and equipment.
7. The cost of all Brazilian labor employed on this project of establishing this shop.

It is reasonably estimated that the above preparations of the shop cost will not exceed $300,000, but the actual reimbursement expected from the Brazilian Government would be actual cost records of which would be maintained and kept and vouchers presented with sufficient detail so that those costs could be verified at your convenience.

b) The establishment of the price at which the equipment would be turned over to your Government. It has been determined that this transfer of equipment should be on exactly the same basis as a similar transaction would follow in the United States. The equipment will be repaired and placed in operating condition satisfactory to your inspectors, and when this has been accomplished, title will be trans-

[3] Not printed.

ferred to your Government at 85% of the list price of the equipment f.o.b. Rio de Janeiro. This, in simpler form, is 85% of the sum of the f.o.b. factory list price in the United States plus transportation to Rio.

c) The operation of the shop would continue until all items of equipment that are possible of repair would be repaired and turned over to your Government. Assuming that the shop so established would have a life expectancy of 10 years, my Government, on its last voucher to you, would credit your Government's account with an amount towards the amortization of that shop equal to the percentage that the time of operation is to the period of 10 years. After our withdrawal from the operation of the shop, there would remain a staff of trained Brazilian nationals capable and competent to continue the repair of your Government's equipment.

3. At the completion of the shop operations under the supervision of United States Army officers all new spare parts and materials remaining in stock will be turned over to your Government at Rio list prices, all used spare parts and salvaged materials will be turned over at no cost to your Government. It is anticipated that there will not be more than fifty American nationals, exclusive of Army officers, who will at any time be employed in this shop. The policy will be to terminate the services of American mechanics as rapidly as Brazilian nationals can be trained to take their places. The motive of this is not only to leave your Government with a complete shop but also with a trained staff.

I have been informed of the very satisfactory meeting which took place on the 12th of this month between Your Excellency, Dr. Fiuza [5] and General Ralph H. Wooten, Colonel John T. Knight, Jr. and Mr. Theodore Xanthaky of the Embassy. Moreover I have been informed that Your Excellency concurs in principle with the above proposal, as well as with the method of payment suggested below and which is satisfactory to the Brazilian Government:

(1) The first payment which the Brazilian Government will make to the American Government will be for the installation of the shop mentioned in item (*a*). This payment will be made as soon as the installation of the shop has been completed and approved by Your Excellency's experts.

(2) The payments in connection with the equipment will be made every three months, after it has been completely repaired and accepted by the Brazilian Government.

I shall be very grateful to receive, as soon as possible, confirmation that Your Excellency concurs in the above proposals and avail myself [etc.] JEFFERSON CAFFERY

[5] Yeddo Fiuza, Director General of the National Highway Department.

832.24/8–1944

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

No. 17461 RIO DE JANEIRO, August 19, 1944.
[Received August 24.]

SIR: With reference to my despatch No. 16875 of July 13 [6] concerning the disposition of certain construction equipment to the Brazilian Government, I have the honor to enclose copy and translation of a communication from the Minister of Transportation and Public Works, General Mendonça Lima,[6a] stating that the new proposal, as set out in my letter to him of July 13, a copy of which was forwarded to the Department annexed to my despatch under reference, has been entirely accepted by President Vargas and that funds will be made available to take care of the expenses involved in accordance with the terms of our proposal. I have informed General Wooten of this. It would be appreciated if this information could be transmitted to the War Department.

Respectfully yours, JEFFERSON CAFFERY

832.24/9–1544

The Department of State to the Brazilian Embassy

MEMORANDUM

The Department of State has been informed that difficulties in securing the necessary clearances in the offices of the Brazilian Consulate General at New York continue to be experienced by agencies of this Government having occasion to ship merchandise to Brazil for account of the United States.

It is the understanding of this Department that shipments of merchandise for account of the United States Government to its representatives in Brazil in the furtherance of official and governmental projects are exempt from charges of any nature by Brazilian Consuls in this country by virtue of arrangements made by the Brazilian Foreign Office at the request of the American Embassy at Rio de Janeiro.

Owing to the fact that important shipments are in the course of preparation for Brazil, it has become necessary to secure at the earliest possible moment a clarification of the nature of the difficulties being encountered. Since the complexity of the problem does not permit of adequate treatment by correspondence, it would be appreciated if the

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[6] See footnote 2, p. 586.
[6a] Not printed.

Brazilian Embassy would arrange to have the Brazilian Consul General at New York proceed to Washington at an early date for a discussion of this matter. It would be desirable that a representative of the Brazilian Embassy be present during the conversations.

WASHINGTON, September 15, 1944.

832.24/9–1544

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

No. 17821 RIO DE JANEIRO, September 15, 1944.
[Received September 23.]

SIR: I have the honor to report that President Vargas told me last evening that he is very much worried about the transportation and communications situation in Brazil. He said Brazil badly needs more gasoline and more coal. The railway equipment situation is more than critical, he said. If the railroads do not receive equipment soon from the United States, most of them will break down completely. He said that Brazil urgently needs some merchant ships and that he ardently hopes that our shipyards will be able to undertake the construction of some ships for Brazil at an early date. He asked me particularly to bring this to the attention of the higher authorities at Washington.

President Vargas added that Mr. Walder Sarmanho, Economic Counselor of the Brazilian Embassy at Washington, will at an early date leave for the United States with full details in all this connection.

President Vargas handed me a memorandum on the shipping situation, a copy and translation of which I transmit herewith.[9]

Respectfully yours, JEFFERSON CAFFERY

832.24/9–3044

The Assistant Secretary of State (Shaw) to the Brazilian Ambassador (Martins)

WASHINGTON, September 30, 1944.

EXCELLENCY: I have the honor to transmit herewith two copies each of a statement prepared by the Foreign Economic Administration[9] and supporting schedules reporting charges made against the Government of Brazil for the period from April 1, 1944 through June 30, 1944 covering articles transferred to the Government of Brazil in accordance with the terms of the Lend Lease Agreement signed on

[9] Not printed.

March 3, 1942 by the representatives of the United States of America and the United States of Brazil.

It will be noted that the amount of the charges under reference is $13,223,099.13. It will be noted further that the total charges made through June 30, 1944 for all defense articles transferred to the Government of Brazil aggregate the grand total of $106,976,227.48.

The Department will submit at a later date an additional statement prepared by the Foreign Economic Administration which will report similar charges made subsequent to June 30, 1944 and which do not appear in the enclosed statement.

In its note of May 31, 1944 the Department indicated that the reimbursement installment in the amount of $23,333,333.33 which became due on January 1, 1944 under Article III of the above mentioned Agreement could be effected by the Government of Brazil in the form of a check made payable to the "Treasurer of the United States." However, it would be appreciated if instead the check could be made payable to the "Treasurer of the United States, for the Account of the Foreign Economic Administration." The check should be sent to this Department for appropriate disposition.

For reasons of military security may I suggest that the enclosed schedules be treated by Your Excellency's Government on a most confidential basis.

Accept, Excellency [etc.] G. HOWLAND SHAW

810.20 Defense/10–1144

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

No. 18271 RIO DE JANEIRO, October 11, 1944.
[Received October 16.]

SIR: With reference to the patrolling of the South Atlantic, I have the honor to enclose copy and translation of a self-explanatory communiqué [10] issued by the Minister of Marine of Brazil on this subject.

With respect to the convoying of merchant vessels, Admiral Ingram informed the Embassy that the Brazilian Navy was in charge of the last convoy from Brazilian ports to Trinidad. He said that henceforth the Brazilian Navy would be in charge of convoying merchant vessels on the Brazil–Trinidad section of the South Atlantic route.

Respectfully yours, For the Chargé d'Affaires a. i.:
HAROLD S. TEWELL
First Secretary of Embassy

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[10] Communiqué not printed; it indicated that the patrolling of the South Atlantic was to be done not jointly with United States forces but by the Brazilian Navy alone.

832.24/10–1244

Memorandum by the Assistant Secretary of State (Berle) to President Roosevelt

[WASHINGTON,] October 12, 1944.

You have been told informally about the crisis in Brazilian transport. It is now approaching the breakdown stage. We sent observers, including a competent man from O. D. T.,[11] who confirmed this conclusion: see more formal memorandum attached.[12] Vargas has now sent a special representative here about it.

Bluntly, they need 7,000 trucks and 1,500 diesel motor buses, to be delivered before July 1. A thorough personal study demonstrates to me an absolute necessity to get this done. Nor have we time to repeat the six months' wearisome procedure which produced nothing. The Secretary sends the attached request for a directive from you. This will not cut into military supplies, though it may slow up the American domestic program.

I cannot promise that O. D. T. will not oppose. But this is not a situation we can fool with; Caffery and others say the stake might very well be the continuance in power of the Brazilian Government.

ADOLF A. BERLE, JR.

810.20 Defense/10–1344 : Telegram

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

RIO DE JANEIRO, October 13, 1944—9 p. m.
[Received October 14—2:46 a. m.]

3694. This is section 2 of telegram 3693 October 13.[13] The Embassy has been informed by our naval authorities here that they are not planning to withdraw from Brazil until the war is over in Europe. However, demobilization plans are being drawn up by them so that they can be put into effect immediately the order is received from Washington. The Brazilian Navy thoroughly understands and is in complete agreement with this policy.

It appears that the communiqué[14] was intended principally for home consumption. For example, there is no record here that Admiral Spears[15] made the statement attributed to him in the first paragraph of the communiqué although he did emphasize the severity of war conditions in the Pacific. The Embassy is likewise informed that

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[11] John F. Winchester, Office of Defense Transportation.

[12] To this memorandum, not printed, is attached a note as follows: "Flimsy endorsed CH, OK, FDR."

[13] Not printed.

[14] See footnote 10, p. 591.

[15] Rear Adm. William O. Spears, Senior Member, Joint Army and Navy Advisory Board on American Republics.

Admiral Ingram has consistently stressed to the Brazilian naval authorities that the American fleet would not be withdrawn from the South Atlantic until the conclusion of hostilities in Europe. The four destroyer-escorts recently transferred to Brazil now operate as a purely Brazilian escort group used on the Trinidad convoys but is under Admiral Ingram's operational command like all other groups of the fourth fleet. Admiral Ingram told me a few days ago that it is his intention to assign as much of this work to the Brazilian Navy as possible.

DONNELLY

832.24/10–2344

The Foreign Economic Administrator (Crowley) to the Secretary of State

WASHINGTON, October 23, 1944.

DEAR MR. HULL: It has come to my attention that there is under consideration a proposal to increase Lend-Lease aid to Brazil under a supplemental agreement having specific reference to the Brazilian Expeditionary Forces operating in the European Theater.

The draft of the proposed note which was shown to me contains no reference to reciprocal aid, nor is there any provision for partial payment such as that contained in the presently effective Lend-Lease agreement with Brazil.

I am writing you a separate letter calling your attention to the fact that there is presently due and owing to this Government from the Brazilian Government the amount of $23,333,333.33 under the terms of our agreement with that country, no part of which has been paid.

While I recognize the desirability of assuring continuous and prompt aid to the Brazilian Expeditionary Forces abroad, I believe that the points which I have raised in this letter should be considered in connection with any proposed new agreement with Brazil. I would deeply appreciate being currently informed as to the progress of any new negotiations with that country.

Sincerely yours, LEO T. CROWLEY

832.24/10–1344 : Airgram

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

WASHINGTON, November 1, 1944—12 : 20 a. m.

A–1440. Department's confidential instruction no. 6436 dated October 4, 1944, and Embassy's reply, despatch no. 18317 dated October 13, 1944.[15] Reference to reimbursement installment due on account

[15] Neither printed.

from Brazil. Department informed by notes from Embassy here dated June 2 and October 4, 1944 [17] respectively, that it had informed its Government on this question. Apparently the Minister of Finance has not been so informed by the Foreign Office.

Since Brazilian Ambassador is absent from Washington and in view of recent UNRRA contribution by Brazil you are requested if you perceive no objection to inquire discreetly of the appropriate Brazilian authorities when this Government may expect payment of the installment in the amount of $23,333,333.33 which became due as of January 1, 1944 in accordance with the terms of the Lend-Lease Agreement.

STETTINIUS

832.24/10–2344

Memorandum by Mr. John Ferguson, Division of Financial and Monetary Affairs, to the Assistant Secretary of State (Acheson)

[WASHINGTON,] November 3, 1944.

As you no doubt know, a proposed supplemental lend-lease agreement with Brazil has been prepared and has been circulated for clearance in the Department. Its circulation seems to be completed and only minor changes have been suggested.

It was drafted before I came on the scene. I believe the idea of it arose out of discussions held several months ago at the instigation of the War Department, which had feared that the present agreement with Brazil would not be adequate to meet the needs of the Brazilian Expeditionary Forces for combat supplies.

An advance copy of the proposed new agreement was unofficially handed to FEA for its information, and somehow or other an official letter from Crowley [18] was written on the basis of the draft and received by your office several days ago. That letter raised two questions: (1) whether or not we should now ask for reverse lend-lease from Brazil, and (2) whether it was proper, as provided in the proposed agreement, to furnish aid to the Expeditionary Forces without specifying any terms of dollar repayment.

The second question raised by FEA should, I think, be answered in the affirmative. The idea of having a new agreement was to facilitate the furnishing of supplies to the Expeditionary Forces in the field, and this type of aid would seem to fall clearly within a category for which we should not establish the precedent of requesting any cash payment.

With respect to the first question, it has apparently been the con-

[17] Neither printed.
[18] Letter of October 23, p. 593.

sistent policy of the Department not to request reverse lend-lease from South American countries. All of the existing agreements have provided for cash payment of a specified percentage of the value of the supplies, the percentage being based upon the ability of each country to pay. The agreements state that this payment will discharge in full the fiscal obligations of the country with respect to such supplies. To ask for reverse lend-lease in addition to such cash payment seemed to the Department to be unnecessary and unwarranted.

Despite the absence of formal arrangements, Brazil has been furnishing to our Army in Brazil certain services such as local labor, and has made available airfields, et cetera, free of charge. It is not anticipated that any supplies or services will be furnished to our forces outside of Brazil. Whether now, when aid to the Expeditionary Forces in theaters of war is to be supplied by us without any provision for cash payment, services furnished to us in Brazil should be credited as reverse lend-lease presents a somewhat different question than has arisen before. My own feeling is that it does not matter much whether we treat what we receive in Brazil as reverse lend-lease or not, since the supplies furnished to the Expeditionary Forces will not create serious settlement problems, and I think I would favor leaving the situation as it is, rather than establishing a new practice which would not be applied to any other American republic.

I would like to raise one additional point with you, and that is whether the proposed new agreement should be cleared with the War Department or the substance of it discussed with them. I should think the latter would be appropriate, but I am inclined to think we should avoid getting formal approval of the document.

832.24/11–2444

Memorandum of Conversation, by Mr. Randolph Harrison of the Division of Brazilian Affairs

[WASHINGTON,] November 24, 1944.

Participants: Mr. Armour, ARA [19]
Mr. McGurk, ARA [20]
Mr. Harrison, BA

The Brazilian Ambassador inquired concerning the status of Brazil's request for trucks and buses; gasoline shipments; and coal shipments. In connection with coal, the Ambassador said he had received instructions from President Vargas just before the Ambassador's

[19] Norman Armour, Acting Director, Office of American Republic Affairs.
[20] Joseph F. McGurk, Acting Deputy Director, Office of American Republic Affairs.

departure from Brazil, to try urgently to obtain an increase in coal shipments to a total of 130,000 tons a month.

Mr. Harrison explained to the Ambassador the difficulties the Department was encountering in getting final approval for the allotment of the requested number of trucks and buses for Brazil, but that we were doing everything possible to satisfy Brazil's needs. He was also told that the shipments of gasoline appeared to be going forward satisfactorily at present so that Brazil's full quota, plus arrears, would be taken care of before the end of the year. With regard to coal, the Ambassador was informed that we expected to ship 70,000 tons during the month of November and that we were trying to get the amount increased to 90,000 tons for next month. It was emphasized that the heavy demands being made on United States shipping, by the European and Pacific offensives, made it impossible to obtain definite commitments for other areas.

The Ambassador said that he himself understood the difficulties that the Department was up against in this matter, but that he had found it impossible to give convincing explanations to his Government, which seemed to feel that he himself was somehow at fault. The Ambassador suggested in this connection that it might be well to have the Brazilian Minister of Transportation come to the United States to get a first-hand picture of the situation here. The Ambassador was told that the Department, of course, would welcome a visit from the Brazilian Minister of Transportation, but that it would like to have the opportunity first to consult the other agencies of the Government that would wish to see the Minister, with a view to ascertaining when such a visit would be most opportune.

The Ambassador also took up the question of purchase by the Brazilian Maritime Commission of two old tankers from the Union Oil Company. The Ambassador said that he was under urgent instructions to try to obtain the transfer of these tankers to Brazilian registry before the end of the current month. The Ambassador was told that the Department was lending its support to the Brazilian request, which was under consideration by the War Shipping Administration.

832.76/11–2544 : Telegram

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

WASHINGTON, November 25, 1944—11 p. m.

3523. Admiral Leahy [21] has informed Department that agreement between Brazilian and United States Navies for use of supplementary radio stations at Recife, Bahia and Belém is based on necessity for

[21] Adm. William D. Leahy, Chief of Staff to the Commander-in-Chief of the Army and Navy.

their use for Brazilian national defense and will terminate at end of war with Germany. To insure use and custody beyond that time, Navy Department has authorized Commander Fourth Fleet to consult you in order that, in absence of important contrary reasons, negotiations may be commenced to amend agreement to insure control of these three stations until conclusion of world peace or until United States Navy believes conditions warrant release whichever may be earlier. Commander is warned however to avoid commitments which might prevent further negotiations for post-war custody and use by United States Navy. Since such post-war use and custody of station at Recife will doubtless be desired by Navy it is urged by Joint Chiefs of Staff that negotiations be undertaken by Department whenever such action is deemed appropriate in order that permission may be obtained for long term lease or in the alternative for lease of shorter duration with renewal options.

After consulting Commander Fourth Fleet you are requested in your discretion to make appropriate representations to Brazilian Government with view to accomplishing this purpose. Keep Department fully advised.

STETTINIUS

832.76/11–2944 : Telegram

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

RIO DE JANEIRO, November 29, 1944—6 p. m.
[Received November 30—1 a. m.]

4260. Department's 3523, November 25, 11 p.m. A member of the Embassy staff and Commodore Harold Dodd, Chief of the U.S. Naval Mission to Brazil, conferred with the Minister of Marine this afternoon. The Minister gave categorical assurances that our Navy could continue the operation and control of the supplementary radio stations at Recife, Bahia and Belém after the termination of the war with Germany. He said that he would be glad to confirm this in writing to Admiral Munroe [22] when the latter arrives here on December 10.

The Minister added that Brazil does not consider that the war is terminated with the cessation of hostilities in Europe: that Brazil would continue to cooperate fully with us until Japan is likewise defeated and world peace restored.

No formal agreement covering the present use of the radio stations in question exists. This is covered by a request made by the Embassy to construct them and the subsequent authorization (Em-

[22] Adm. William R. Munroe succeeded Admiral Ingram as Commander of the Fourth Fleet.

bassy's dispatches number 9336, December 4, 1942, and 9421, December 11, 1942).[23]

No mention was made to the Minister of Marine concerning the postwar use and custody of these stations as in the Embassy's opinion, in which Commodore Dodd concurs, we do not believe that the initiation of such negotiations at this juncture is opportune. Consideration might be given as to the advisability of eventually bringing this matter up in the joint Brazilian-American staff negotiations on postwar military cooperation. Dispatch follows.

DONNELLY

832.24/10–2344

The Secretary of State[24] *to the Foreign Economic Administrator (Crowley)*

WASHINGTON, December 5, 1944.

MY DEAR MR. CROWLEY: I have received your letter of October 23 concerning the proposed supplemental lend-lease agreement with Brazil, which provides for the furnishing of supplies to the Brazilian Expeditionary Forces.

It is the view of this Department that this supplemental agreement should not contain provisions for payment for supplies to be used by the Brazilian Expeditionary Forces in the theatres of war, since this type of lend-lease assistance is of the same nature as that supplied to others of the United Nations on a straight lend-lease basis. There appears to be no reason to distinguish between Brazil and other nations in this respect.

As you know, it has been the policy of this Department with respect to all of the American republics with which lend-lease agreements have been concluded not to request reverse lend-lease assistance. This policy is based on the provisions of the various agreements which provide for payment for supplies going to such republics in accordance with each country's ability to pay. Although no payments are provided in the proposed Brazilian supplementary agreement for supplies furnished to the Expeditionary Forces, the provisions for payment for other supplies in the original Brazilian lend-lease agreement remain unchanged, and it is not felt that reverse lend-lease assistance should be requested from Brazil when it continues to be the policy of this Department not to request such aid from any other American republic.

Sincerely yours, EDWARD R. STETTINIUS

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[23] Neither printed.

[24] Edward R. Stettinius, Jr., assumed the duties of Secretary of State on December 1, 1944.

832.24/12–944

Memorandum of Conversation, by Mr. Philip O. Chalmers of the Division of Brazilian Affairs

[WASHINGTON,] December 9, 1944.

Mr. Gardner [25] called to inquire concerning the willingness of this Division to compromise with the War Production Board and other agencies on the number of truck and bus units to be supplied to Brazil. Mr. Gardner stated that it appeared that the War Production Board would propose that Brazil be allocated 10,000 trucks during 1945, 9,200 mediums and 800 light-heavies. He stated, however, that there was little possibility of securing the 1,500 diesel-powered buses for which a request had originally been made. He stated that there was shortly to be a meeting of the Requirements Committee of the War Production Board and he wants to know what this Division's attitude is in order that he may be in a position to declare this Department's attitude.

I told Mr. Gardner, in substance, that this Division was very anxious to cooperate with other agencies and individuals concerning this problem and that we fully appreciated the difficulties involved. I told him, however, that we were faced with a specific problem which experts had carefully studied and for which they had outlined a minimum program by way of solution; and that any compromise with what was considered by those who know to be the minimum might easily result in a failure to solve the primary problem.

I told him that this Division was quite prepared to accept a bona fide offer of 10,000 trucks for the year 1945 but stressed that the following conditions should be a part of any such agreement:

1. The bulk of the trucks in question should be delivered during the first six months of 1945 since time is as important a factor as quantity itself.

2. The most urgent part of the program is the 1,500 buses and we cannot afford to compromise on this point. Precautions have been taken to verify that Ford and Chevrolet, if given AA–1 priority, can supply diesel-powered buses, commencing 90 days after the order is confirmed, without any interference whatever with military requirements, Army or Navy. In the face of these assurances, this Division could not accept the War Production Board's statement that delivery of diesel-powered buses was out of the question. We have no alternative but to insist on the allocation of these units.

3. We reserve the right, after June 30, 1945, again to raise the question of the remaining 3,500 trucks and agree to submit the question of such an additional allocation to a discussion on the merits.

Mr. Gardner stated that he was glad to have this Division's views and that he would be guided, as far as possible, by them at the Require-

[25] Fred W. Gardner, of the War Supply and Resources Division.

ments Committee meeting. He agreed to keep me informed of developments.

JURISDICTION IN CRIMINAL MATTERS OVER UNITED STATES MILITARY PERSONNEL IN BRAZIL

811.24532/6–2444

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

No. 16586 RIO DE JANEIRO, June 24, 1944.
[Received July 1.]

SIR: I have the honor to report that in my telegram No. 2132 of June 12, 3 PM, 1944[26] I remarked: "I have not in the past transmitted to the Department reports in connection with various minor difficulties encountered by our military and naval authorities in Brazil, all of which we have been able to settle locally."

Recent correspondence has had to do with an incident at Belém regarding jurisdiction over American soldiers charged with offenses by the local authorities. In the past cases, even those involving shooting, with fatal results, by an American soldier, have been settled to the satisfaction of ourselves as well as the Brazilian authorities.

However, a case has arisen at Natal—the McBratnie case—which will be described in a separate despatch[27] involving a charge against an American naval officer in connection with the killing of a Brazilian minor by a jeep he was driving. Vice Consul Sims[28] is still working on that case.

It is neither my intention nor desire to turn over members of our armed forces to the Brazilian authorities to try. However, it is not always easy to handle some of the cases which arise. In this connection, Brigadier General Ralph H. Wooten, Commanding General of the United States Army Forces South Atlantic, in agreement with me, has emphasized to his commanders the importance of cultivating friendly relations with the local authorities.

In this connection, the only pertinent Article in the Political Military Agreement between Brazil and the United States is Article No. 12.[29]

I should appreciate an expression of the Department's opinion on the principles involved.

Respectfully yours, JEFFERSON CAFFERY

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[26] Not printed.
[27] Despatch 16621, June 27, 1944, not printed.
[28] William Harold Sims, Vice Consul at Natal.
[29] For information on this agreement, see bracketed note, *Foreign Relations*, 1942, vol. v, p. 662.

811.24532/6–2644

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

No. 16606 RIO DE JANEIRO, June 26, 1944.
[Received July 4.]

SIR: Referring to my despatch No. 16586 of June 24, 1944, I have the honor to remind the Department that the Minister of War[30] objected to the inclusion in the Military Aviation Agreement[31] recently signed by the Minister for Foreign Affairs[32] and me, of an article which would have given jurisdiction to our military authorities over offences committed by members of our armed forces in Brazil.

Respectfully yours, JEFFERSON CAFFERY

711.32/7–1944

Memorandum by the Consul at Pará (Braddock) to the Ambassador in Brazil (Caffery)[33]

[Extract]

PARÁ, BRAZIL, July 14, 1944.

. . . . . .

THE QUESTION OF JURISDICTION OVER MEMBERS OF OUR ARMED FORCES

The American View

The Judge Advocate of USAFSA,[34] Recife, wrote an opinion for General Wooten holding that under United States law and War Department policy the United States reserved exclusive jurisdiction over members of its armed forces in foreign countries. Law and precedents were cited. The opinion stated that this principle was recognized in international law as well, and made the point that the United States reciprocally granted to foreign authorities the jurisdiction over their military personnel in the United States.

In conversation with me the Judge Advocate expressed the view that jurisdiction of this character was not regarded as extra-territoriality, to which he admitted we had no right in Brazil. He also pointed out that legal considerations were only one element used in shaping military policy, and conceded that in the question of jurisdiction over members of our forces in Brazil another element, the im-

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[30] Gen. Eurico Gaspar Dutra.

[31] For correspondence on this agreement, concluded by an exchange of notes signed June 14, 1944, see pp. 543 ff.

[32] Oswaldo Aranha.

[33] Copy transmitted to the Department in despatch 16978, July 19, 1944, from Rio de Janeiro; received July 31.

[34] United States Army Forces, South Atlantic.

portance of maintaining smooth relations, should perhaps take precedence over the law.

Other Army officers with whom I talked, including General Kroner [36] and General Wooten, indicated that there was no doubt in their mind regarding our legal right to jurisdiction over our own forces.

The State Department in a strictly confidential instruction to the Vice Consul at Pará, dated June 7, 1944,[37] stated:

"It is the view of this Government that under international law members of its armed forces on foreign territory with the consent of the local sovereign are subject to the jurisdiction of their own military authorities in criminal matters. While there is at present no agreement between the United States and Brazil recognizing this principle, it is understood that such jurisdiction has usually been recognized in practice.

"In any case which may arise in Brazil in which a member of the armed forces of the United States is charged with an offense against the local laws you will please be guided by the views stated above."

The Brazilian View

That the American view of jurisdiction over its armed forces in Brazil is not uniformly shared by the Brazilian authorities is evident.

The First Auxiliary Delegate in Belém contested with Major Hall of the Judge Advocate's office this right of jurisdiction in the well-known theater incident, and made this the basis of his report on the incident, which finally reached the Embassy via his superiors and the Foreign Office. Had the higher Brazilian authorities taken a different view on the jurisdictional question from that taken by the Delegate, it is hardly likely that they would have sustained his report to the point of transmitting a copy of it to the American Embassy. This is only a surmise, to be sure, but there is no doubt that the Delegate's immediate superior, the Chief of Police of Pará,[38] considers members of the American armed forces as legally subject to the penalties of the Brazilian law for any criminal infraction of it.

The former Commanding Officer of the Eighth Military Region, General Francisco de Paula Cidade, as has been noted, while discussing practical procedures with the Deputy Provost Marshal [39] for disposing of police cases involving American servicemen, made specific reservation on the jurisdictional question, and indicated clearly that in his opinion jurisdiction in these cases legally lay with the Brazilian authorities.

Moreover, the Deputy Provost Marshal, as observed in the preceding section on police relations, has heard reports of the existence of

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[36] Brig. Gen. Hayes A. Kroner, Military Attaché.
[37] Not found in Department files.
[38] Col. Alexandre Moss Simões dos Reis.
[39] Maj. James C. Lucas.

a secret instruction by the Brazilian Ministry of the Interior, issued with the knowledge and approval of the American Embassy, to the effect that Brazil reserves the right of jurisdiction over members of foreign armed forces on Brazilian soil who are charged with criminal offenses in violation of the local laws.

Regardless of the legal question, the Brazilian authorities in Pará seem disposed to yield, as a courtesy and a matter of practical convenience, whatever right of jurisdiction they may have over members of our armed forces in this country.

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DISCUSSIONS AND AGREEMENTS BETWEEN THE UNITED STATES AND BRAZIL ON RUBBER PRICES, QUOTAS, AND THE INTRODUCTION OF SYNTHETIC RUBBER INTO BRAZIL [40]

102.8951 Rio de Janeiro : Airgram

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

WASHINGTON, January 28, 1944—12 : 40 p. m.

A–105. For McAshan [41] from Allen [42] Rubber Development Corporation. Following is the text of an agreement reached with Bouças [43] which he has accepted on behalf of the Government of Brazil. This agreement has likewise been ratified by the Directors of Rubber Development Corporation.

"Dear Dr. Bouças: I have the honor to record in this note that, as a result of the conversations between you, in your capacity as Executive Director of the Commission for the Control of the Washington Accords, and as authorized representative of the Government of Brazil, and myself, in my capacity as President of Rubber Development Corporation, the following has been agreed upon between the Government of Brazil and the Rubber Development Corporation:

1. Rubber Development Corporation agrees to pay a premium of 33⅓ percent over the 'Fixed Price' as set forth in the agreement dated March 3, 1942 [44] between Rubber Development Corporation (as successor to Rubber Reserve Company) and the Government of Brazil and as supplemented by the Supplemental Agreement dated September 29, 1943, which established the 'Fixed Price' (referred to in the Supplemental Agreement as the 'basic price') at 45 cents per pound f.o.b. Belém for Acre fine, washed and dried, said premium to be

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[40] For previous correspondence, see *Foreign Relations*, 1943, vol. v. pp. 664 ff.

[41] S. Maurice McAshan, one of the directors of the Rubber Development Corporation.

[42] Douglas H. Allen, president, Rubber Development Corporation.

[43] Valentim Bouças, Executive Director of the Brazilian Commission for the Control of the Washington Accords.

[44] For text of the agreement, see Department of State Executive Agreement Series No. 371, or 57 Stat. (pt. 2) 1318.

payable upon rubber which is available for quality inspection or has been inspected by Rubber Development Corporation at an agreed shipping port and which has been tendered by the Banco de Credito da Borracha to Rubber Development Corporation for purchase during the period commencing with a date (subsequent hereto) to be agreed upon by Brazil and Rubber Development Corporation and ending March 31, 1945; it being understood that all rubber tendered thereafter to Rubber Development Corporation under the aforesaid agreements shall be purchased at the 'Fixed Price' therein established (i.e., on the basis of 45 cents per pound f.o.b. Belém for Acre fine, washed and dried) without the payment of the above mentioned premium, unless the Government of Brazil and the Rubber Development Corporation shall have executed a written agreement for a continuance of the premium thereafter.

2. In view of the fact that Rubber Development Corporation is paying the premium above referred to in order (*a*) to offset increased wages, living costs and other items affecting the cost of rubber production and (*b*) to provide a stimulus to maximum production, it is understood and agreed that Rubber Development Corporation shall discontinue at the earliest practicable date gradually and in accord with the Commission for the Control of the Washington Accords, but in any case not later than June 30, 1944, all payments, subsidies and contributions for these purposes, except for obligations already incurred by Rubber Development Corporation under the C.A.E.T.A.[45] Agreement,[46] and Brazil agrees to the cancellation or modification of such provisions of any agreements between Rubber Development Corporation and the Government of Brazil (or any agency or corporate instrumentality thereof) as may be necessary to be cancelled or modified in order to relieve Rubber Development Corporation of such payments, subsidies and contributions. Among other things the Government of Brazil agrees to a termination at such earliest practicable date of the following specific commitments and obligations of Rubber Development Corporation:

(1) Any obligations to supply staple foodstuffs or to maintain fixed prices therefor under the agreement dated April 3, 1943[47] between Rubber Development Corporation and SAVA.[48]

(2) Any obligation to make available at less than cost tappers' supplies and equipment under the aforesaid agreement between Rubber Development Corporation and SAVA.

(3) Any obligation under the proposed agreement dated July 16, 1943 between Rubber Development Corporation and SNAPP[49] to provide coal at less than cost or to pay higher than established freight rates on freight of Rubber Development Corporation moved by SNAPP on vessels other than those owned by Rubber Development Corporation or furnished by Rubber Development Corporation to SNAPP.

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[45] Commissão Administrativa do Encaminhamento de Trabalhadores para a Amazônia.

[46] For summary, see *Foreign Relations*, 1942, vol. v, p. 727, footnote 3.

[47] Not printed.

[48] Superintendencia de Abastecimento do Vale Amazonico.

[49] Serviços de Navegação da Amazônia e de Administração do Porto do Pará.

3. In view of the fact that Rubber Development Corporation has already expended in furtherance of the wild rubber program in Brazil amounts substantially in excess of the $5,000,000 development fund contemplated in the agreement of March 3, 1942, Brazil agrees to assume all development expenditures that may be required from now on, using for this purpose the volume premiums payable by Rubber Development Corporation to Brazil in accordance with Paragraph 4 of the aforesaid agreement of March 3, 1942 and such other funds as the Government of Brazil may make available for such purpose.

Among other things Brazil specifically agrees to assume all future development expenditures with respect to the following:

(*a*) Road building activities in Southern Matto Grosso.
(*b*) Labor subsidy in Southern Matto Grosso.

4. In accordance with Paragraph 5 of the agreement of March 3, 1942 Brazil agrees to take such action as may be necessary to require consumers of rubber within Brazil to pay the 'Fixed Price', plus the above mentioned premium of 33⅓ percent, so that the export and internal prices of rubber shall be the same.

It is further understood and agreed that the price heretofore agreed upon by Rubber Development Corporation and Brazil for the exportable surplus of tires and tubes which has been sold to Rubber Development Corporation under the provisions of the agreement of October 3, 1942,[50] shall not be increased as a result of the premium herein provided for unless it can be demonstrated that the manufacturers thereof cannot operate at a reasonable margin of profit, in which case Brazil and Rubber Development Corporation shall consult together and agree upon such increase in price as may be found justified in the circumstances.

5. In order to carry out the objective of facilitating and stimulating the maximum possible production of rubber, Brazil agrees:

(*a*) To make available funds of the Government of Brazil in the amount of Cr$10,000,000 for the purpose of facilitating and stimulating the maximum production of rubber, including specifically the purpose of providing an incentive for placing imported labor on the *seringais* and encouraging the opening of new *estradas*. The above fund shall be increased by the amount of any fortuitous profit arising by reason of any difference between the price received by the Banco de Credito da Borracha and the price paid by the Banco de Credito da Borracha for rubber on hand at the commencement of the premium period.

(*b*) To take such action as may be necessary to assure that the producers, merchants and others engaged in the production and handling of rubber in Brazil will receive their proportionate part of the full 33⅓ percent premium hereinabove mentioned.

(*c*) To take such action as may be necessary to assure that the taxes on rubber imposed by the producing states shall not be applicable to the premium of 33⅓ percent hereinabove mentioned,

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[50] For a summary of this agreement, see *Foreign Relations*, 1942, vol. v, p. 719, footnote 87.

and that existing federal and state taxes on rubber will not be increased nor new taxes imposed while the said premium is being paid.

(*d*) To take such action as may be necessary to assure the effectuation of the practical measures already agreed upon by the Commission for the Control of the Washington Accords and Rubber Development Corporation in furtherance of the rubber program insofar as such measures are not inconsistent with the provisions of this agreement.

(*e*) To take such steps as may be necessary to bring about the establishment of the most favorable rate of exchange as applying to all exchange required for Rubber Development Corporation expenditures in Brazil, except for the purchase of rubber.

It is understood that this note, together with your acceptance thereof, shall constitute an agreement between the parties, to be formalized by the exchange of notes between the appropriate Brazilian and American authorities in Brazil.[51]

With assurances of my highest regards, I remain,

Very sincerely, D. H. Allen, President"

HULL

102.8951 Rio de Janeiro : Airgram

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

WASHINGTON, January 29, 1944—7 p. m.

A–113. For McAshan from Allen Rubber Development Corporation. Following is acceptance letter of the Commission for the Control of the Washington Accords dated January 26 signed by Dr. Bouças:

"Dear Mr. Allen: This serves to acknowledge your letter of today's date,[52] conveying, in its five points and addenda, the conditions agreed between us for payment, up to March 31, 1945, of the premium of 33⅓ percent on the 'Fixed Price' in force at present, as set forth in our agreements on rubber.

The various items of your communication cover all the points which have been under discussion since the 6th instant, and, merely as a matter of routine, I wish to confirm our understanding to the effect that the contracts between the RDC [53] and SNAPP will continue to be in force except as to the part modified by No. 3 of item 2 (page 3).

I take this opportunity to express again to you and to the entire Board of the Rubber Development Corporation the warmest appreciation on our part of the spirit of cooperation which has ever governed our relations since 1942 and which has now once again been confirmed, constituting, without any doubt, a most effective and valuable contribution to the policy of good neighborliness.

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[51] This agreement appears to have been formalized by an exchange of notes and referred to as the Amended Rubber Agreement of February 8, 1944.

[52] See *supra*.

[53] Rubber Development Corporation.

Your letter of January 26, in conjunction with this letter to you, constitutes a final agreement between us, which contents I am transmitting in due form to the Minister of Finance, President of our Commission in Rio de Janeiro, and which as stated in your letter is to be formalized by the exchange of notes between the appropriate Brazilian and American authorities in Brazil.

With the renewed expression of my highest consideration, I remain

Sincerely yours, V. F. Bouças
Executive Director,
Commission for the Control
of the Washington Accords"

[Allen]
HULL

102.8951 Rio de Janeiro : Telegram

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

WASHINGTON, February 4, 1944—10 p. m.

391. It is suggested that the agreement for a price premium be utilized by you for insisting that immediate steps be taken by the Banco de Borracha to establish in northeast Brazil (and especially Natal, Maceió, Recife, and Bahia) an adequate purchasing policy and price in order that rubber producers in that region will be able to find a ready market at a price that is profitable and in order at the same time to encourage those merchants who deal customarily in rubber to renew their interest in purchasing and collecting it in the interior to be sold to the Rubber Credit Bank subsequently. The lack of organization in this area by the Bank has been emphasized, as you know, by recent reports of technicians, and merchants and producers are completely discouraged by this lack. Fleischman has also confirmed this fact here in person. This matter will also be brought to Bouças' attention by me.

Foregoing is from Allen for McAshan Rubber Development.

HULL

832.24/2877

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

No. 15190 RIO DE JANEIRO, March 31, 1944.
[Received April 8.]

SIR: With reference to my despatch No. 14917 of March 13, 1944,[54] I have the honor to report that because of the onerous and impractical provisions of portions of the regulations issued for controlling the distribution and consumption of rubber manufactures in Brazil, tire

[54] Not printed.

manufacturers and the Commission for the Control of the Washington Agreements, together with the assistance of representatives of the Rubber Development Corporation, have mutually agreed upon certain modifications in the administration and application of those regulations. There is attached hereto a translation of a memorandum of understanding [55] with regard to this subject.

It will be noted that this memorandum also establishes the quotas for sales of tires in Brazil during 1944 at 328,104 tires, with tubes in the proportion of two tubes for each three tires.

Upon the assumption that the total production of tires in Brazil during 1944 will be 480,000, it can be expected that purchases of the exportable surplus by the Rubber Development Corporation will amount to not less than 152,000 tires. It is estimated that the requirements of the other South American countries being supplied from Brazil will amount to approximately 138,000 tires, leaving an excess of 14,000 tires for shipment to the United States. If the present plans for increasing the production of tires in Brazil by the use of synthetic rubber materialize, the Rubber Development Corporation's purchases will be correspondingly increased.

Complete details with regard to this situation are contained in a letter of March 30, 1944 from Mr. H. J. Korkegi [56] to Mr. J. W. Bicknell,[57] a copy of which was transmitted to the Department.[58]

Respectfully yours, For the Ambassador:
HAROLD S. TEWELL
First Secretary of Embassy

832.6176/7–3144 : Airgram

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

WASHINGTON, July 31, 1944—2:10 p. m.

A–1045. For Neumann,[59] from Allen, Rubber Development Corporation. Have reached agreement with Bouças approved by Minister of Finance with reference to use of synthetic rubber in Brazil which takes the place of Paragraph three of declaration of President Vargas no. 1829 of June 28. This agreement provides among other things as follows:

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[55] Not printed; the memorandum consisted of minutes and decisions of a group of representatives from the Commission for the Control of the Washington Accords, the Rubber Development Corporation, and certain rubber and tire manufacturing companies, March 21 to March 24, 1944. The understanding was concerned largely with domestic matters such as rubber quota problems. (832.24/2877)

[56] Field representative of the Rubber Development Corporation.

[57] Vice president, Rubber Development Corporation.

[58] Not found in Department files.

[59] John H. Neumann, field representative of the Rubber Development Corporation.

"The Government of Brazil undertakes to permit the importation into Brazil of synthetic rubber and other plastics having similar properties and utilization duty free, and to permit the use thereof in national industry to the extent necessary to effectuate the purposes of this agreement.

"The Government of Brazil undertakes to bring about, as rapidly as may be found feasible, the maximum practicable reduction in the consumption of natural crude rubber within Brazil below the quota of 8,500 tons per year already established and to encourage the maximum practicable utilization of reclaimed rubber, synthetic rubber and similar plastics.

"As a step in the application of this policy, the Government of Brazil undertakes to bring about, as rapidly as may be found practicable, the adoption by all tire and tube manufacturers within Brazil of the types of tire construction known in the United States as S–5 or S–7, each of which contemplates the use of about 35% of synthetic rubber or similar plastics in place of natural crude rubber.

"Rubber Development Corporation agrees to such increase in the overall consumption quota of 10,000 tons established in the agreement of October 3, 1942, as may result from (*a*) unrestricted use of reclaimed rubber and (*b*) the use of synthetic rubber and similar plastics in accordance with the plan and arrangement herein agreed upon; it being estimated that this will enable the Brazilian rubber manufacturing industry to operate at maximum capacity."

The above arrangement is to be formalized in Rio de Janeiro and would, I believe, require the approval of President Vargas since it alters a previous decree.

As a result of discussions with technicians of Goodyear, Firestone, the Rubber Director's Office and Bouças it has been agreed that the quickest and most effective way of enabling the utilization of synthetic rubber in Brazil is to have the technicians of the four tire manufacturing companies in Brazil plus two technicians from manufacturers of miscellaneous rubber goods, preferably Orion [60] and one other proceed to the United States as promptly as possible accompanied by Dr. Maffei [61] or such other representative as may be designated by the Government of Brazil to spend one month in the United States visiting tire factories and studying the utilization of synthetic in the United States. We have agreed to pay the transportation of the members of this Mission other than Firestone and Goodyear to the United States and within the United States while on official business plus such per diem as we may be legally permitted to pay. We will advise later with respect to the rate of per diem.

It is intended that upon the return of this Mission to Brazil the Mission would be constituted a technical committee to provide re-

[60] Orion Sociedade Anónima Fábricas, manufacturers of miscellaneous rubber goods.

[61] Francisco Luiz Maffei, member of the Brazilian office of the Coordinator of Economic Mobilization.

quired technical information and to assist rubber manufacturers in the utilization of synthetic. Copies of the documents concerned are being forwarded to you airmail.[63]

We have also agreed to extend the price premium of 33⅓% for a further period of one year i.e. until March 31, 1946, in order to aid the producers of natural rubber during the 1945 season. We will advise later when this information may be made public. We have likewise agreed to extend to December 31, 1944, the period during which the remainder of the 16,000 laborers may be recruited, delivered to the Amazon and transported up river by CAETA under the agreement between Rubber Development Corporation and the Government of Brazil dated September 6, 1943.[64] Bouças plans to arrive Rio about August 15.

Although Bouças and Sousa Costa have verbally agreed to the foregoing, we have not yet received their written confirmation. [Allen.]

STETTINIUS

832.6176/8–944 : Airgram

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

RIO DE JANEIRO, August 9, 1944—11:30 a. m.
[Received August 21—8 a. m.]

A–1493. Following the receipt of Department's A–1045, July 31, 2:10 p. m., "For Neumann from Allen, Rubber Development Corporation", my Economic Counselor[65] discussed the contents of the airgram with officials of the Rio de Janeiro office of RDC and with Mr. Utz[66] of the Washington office of RDC, who is now visiting Brazil.

My Economic Counselor expressed surprise that the RDC in Washington had not consulted the Embassy on the understandings reached in Washington with Senhor Valentim Bouças. He added that if the views of the Embassy had been requested, the Embassy would have recommended that the extension of the price premium of 33⅓% on crude rubber be withheld pending the signing and promulgation of the decree-law on synthetic rubber and other plastics. The local officials of the RDC were under the impression that the decree-law and the price premium were tied together, but in view of the Department's telegram 2365, of August 1, 10 p. m. ("From RDC Allen to Neumann"),[64] authorizing public announcement of the extension

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[63] Documents not printed.
[64] Not printed.
[65] Walter J. Donnelly.
[66] Frederick W. Utz, vice president, Rubber Development Corporation.

of the premium payment, they said that they would check this point with their officials in Washington.

They subsequently reported that there was no connection between the two matters and that the RDC had informed other rubber producing countries in the Americas of the extension of the premium.

In reply to the Embassy's question as to whether or not they had any problems outstanding with the Commission to Control the Washington Agreements, which administers the rubber agreement in Brazil, they said that the Brazilian Government has not yet put into effect the development fund of 10,000,000 cruzeiros as provided for in the agreement of February 8, 1944, and that other matters were still pending. The Embassy representative remarked that, in the opinion of the Embassy, the extension of the price premium should have been used as a bargaining power to obtain prompt promulgation of the decree-law on synthetic rubber and other plastics and prompt settlement of all important matters pending with the Commission to Control the Washington Agreements. He stated also that a public announcement at this time extending the price premium until March 31, 1946, might prejudice the overall program for the procurement of strategic materials because producers and exporters of the materials would use it as a basis for requesting an increase in prices for their products. He added that the development would be untimely and unfortunate, in view of the fact that the Brazilian Government recently increased the export prices on tantalite and beryl and which the Embassy and the USCC [67] succeeded in having postponed but only after long and difficult negotiations.

The Embassy hopes that the Brazilian Government will not delay in promulgating the legislation necessary to implement the aforementioned agreement on synthetic rubber and other plastics, but desires to point out that in as much as the RDC has decided to announce the extension of the price premium at this time and not to tie it in with the synthetic rubber plan, that the Embassy and the RDC here will be deprived of a strong bargaining weapon.

The airgram under reference states that the arrangement on synthetic rubber will be formalized in Rio de Janeiro. The Embassy assumes that this means that it will take the form of an exchange of notes between the Embassy and the Foreign Office. If this is correct, the Embassy suggests that the Foreign Office should have been consulted concerning the terms of the proposed arrangement, even though the provisions are favorable to Brazil.

CAFFERY

[67] United States Commercial Company, a Government corporation.

832.6176/7–3144 : Telegram

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

WASHINGTON, September 13, 1944—11 a. m.

2806. Rubber Development Corporation has advised the Department of the likelihood that in the near future the necessary approval of the interested Brazilian authorities will be obtained for the scheme outlined in Allen's letter of July 28 to Dr. Bouças which was quoted in part in Department's A–1045 of July 31, 1944 concerning the increased use of synthetic in Brazilian rubber manufacturing industry. Inasmuch as this will involve a modification of the plan established by the exchange of notes of October 3, 1942, RDC believes it will be necessary to modify that plan by a similar exchange of notes.

You are authorized to exchange notes with the Foreign Office at the appropriate time modifying the agreement of October 3 in accordance with the plan outlined in Allen's letter of July 28 with such minor modifications, if any, as may appear to the Embassy and to the Rio office of RDC to be necessary and acceptable.[70]

HULL

102.8951 : Airgram

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

WASHINGTON, September 16, 1944—6 : 25 p. m.

A–1248. For Neumann from Allen RDC. Referring to telephone conversation, we confirm that we are not prepared to consider an extension of the price premium to December 31, 1946. The agreed extension to March 31, 1946, is intended to cover rubber produced in the 1945 season in the same manner that the initial premium was designed to cover rubber produced in the 1944 season. The governments of countries concerned, other than Brazil, have been advised of the extension to March 31, 1946, and have accepted such extension and have made public announcement thereof.

As regards profits of the Banco da Borracha, our understanding is as follows:

(*a*) That profits derived from the application of the price premium to stocks of rubber on hand as of February 9, 1944, the sale of salvage rubber and volume premiums, are all to be paid into a special development fund to be used for the benefit of the rubber program.

(*b*) That five per cent of annual net profits shall be paid into a reserve fund until the said fund equals twenty per cent of the capital of the Bank.

(*c*) That dividends are to be limited to twelve per cent of the capital of the Bank and that any excess is to be paid into the development fund.

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[70] See footnote 72, p. 614.

We understand that the CCWA is informally inquiring whether we would be willing to consider limiting dividends to six per cent instead of twelve per cent if the Government of Brazil would likewise agree. We do not perceive any objection to this proposal but official approval on our part would require action by the Directors.

We would suggest that you look into the question of whether the five per cent reserve for losses on loans is adequate and, if not, whether it might not be preferable to add to such reserve profits in excess of six per cent at least until the full twenty per cent reserve has been achieved.

In connection with the utilization of the development fund, we wish to emphasize that our primary interest lies in measures designed to bring about immediate stimulation of rubber production rather than in long-term plantation projects. The language of the applicable agreements seems to indicate that the fund was intended to be used for such immediate stimulation rather than for long-term projects but it may not be wise to oppose the use of any part of the fund for such long-term projects, particularly in view of President Vargas' interest in such projects. [Allen.]

HULL

832.24/11–344 : Telegram

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

WASHINGTON, November 3, 1944—1 p. m.

3321. Department understands from Rubber Development Corporation that one factor possibly delaying issuance of Brazilian decree concerning use of synthetic rubber is a doubt regarding the essentiality of natural rubber in the United Nations war effort.

The Combined Raw Materials Board is preparing a release which in substance will reiterate that the vital need for natural rubber is as great today as it has ever been during the course of the war. This arises from the continued necessity to use natural rubber in greater or less quantities in a wide range of products, particularly large size and heavy duty aircraft, military and truck-size tires for which the direct military demand continues to exceed supply. In addition the movement of raw materials and finished products and workers to and from war factories creates large demands for the heavy duty tires for trucking and bus operations.

The Department therefore endorses the statement that the need for every pound of natural rubber that can be obtained is critical.

Please inform the Rubber Development Corporation representative, and so advise the Brazilian Foreign Office if you perceive no objection.

STETTINIUS

800.554/12–144

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

No. 18958 RIO DE JANEIRO, December 1, 1944.
[Received December 7.]

SIR: I have the honor to refer to the Embassy's telegram No. 4222 of November 27, 1944,[71] reporting the approval by President Vargas of the synthetic rubber agreement,[72] and to previous correspondence relating to the progress of the negotiations on this subject.

In the course of the consideration of the agreement for the use by the Brazilian rubber industry of the synthetic product, a number of objections had to be overcome. The Ministry of Foreign Affairs proposed several alterations, the principal one designed to reduce the consumption of crude rubber to seven hundred tons, which would have had the effect of negating the entire purpose of the agreement. Through representations made by the Embassy and the Rubber Development Corporation, the Ministry of Foreign Affairs was persuaded to withdraw this proposal. The agreement was then approved by the Ministry of Finance and forwarded to the President.

The Embassy followed the matter closely and was able to expedite the approval of the agreement by the President in its final form early this week.

Respectfully yours, WALTER J. DONNELLY

832.654/12–2644

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

No. 19294 RIO DE JANEIRO, December 26, 1944.
[Received January 5, 1945.]

SIR: I have the honor to refer to previous correspondence concerning the agreement for the use of synthetic rubber by the Brazilian rubber industries and now to transmit copies of an exchange of notes between this Embassy and the Ministry of Foreign Affairs of Brazil formally recognizing the provisions of the agreement reached between the Rubber Development Corporation and the Commission for the Control of the Washington Agreements.

Although the Decree-Law implementing this agreement has not yet been signed it is understood to be now in the office of the President and it is likely that it will be promulgated within the week.

Respectfully yours, For the Chargé d'Affaires a.i.:
HAROLD S. TEWELL
First Secretary of Embassy

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[71] Not printed.

[72] The agreement was formalized by an exchange of notes dated December 22, 1944; see *infra*.

[Enclosure]

The American Chargé in Brazil (Donnelly) to the Brazilian Acting Minister for Foreign Affairs (Leão Velloso)

No. 2352 RIO DE JANEIRO, December 22, 1944.

EXCELLENCY: I have the honor to inform Your Excellency that my Government agrees to the provisions of your note of this date [73] and considers the agreement completed by the exchange of these notes in accordance with the following terms:

The Government of the United States of America, having in mind the agreements signed between our two Governments on March 3 and October 3, 1942, referring respectively to natural rubber and manufactured rubber, and considering that in the present emergency natural rubber continues to be of great necessity to the war and civilian industry of the United Nations, and desiring, on the other hand, to emphasize the mutual spirit of cooperation and assistance which has prevailed in the solution of problems related to such strategic material as rubber, agrees to the following modifications in the above mentioned agreement of October 3, 1942, in accordance with the decision reached between the Commissão de Controle dos Acordos de Washington and the Rubber Development Corporation, successor to the Rubber Reserve Company.

I–The Government of Brazil undertakes to permit the importation from the United States of America of synthetic rubber, and other plastics having similar properties and utilization, free of any customs duties and additions thereto, social security taxes, and of any other clearance fees or charges, and to allow the use thereof in the national industry, in the proportion necessary to carry out the terms of the present agreement without altering the fiscal regime which grants to the rubber products factories exemption of duties for the importation of other raw materials utilized by them.

II–The Government of Brazil undertakes to bring about, as soon as possible, the maximum practicable reduction in the consumption of natural crude rubber in the country below the present annual quota of 8,500 tons, and to promote to the maximum the use of reclaimed rubber as well as of synthetic rubber, and other plastics of a similar nature.

III–For the purpose of carrying out such understanding, the Government of Brazil undertakes to establish as soon as possible the adoption by the manufacturers of tires and tubes of the manufacturing methods employed in the United States, known as the S–5 or S–7, in each of which there are used about 35% of synthetic rubber, or other plastics of a similar nature in substitution of natural crude rubber. The technical data necessary for the adoption of the above mentioned processes shall be furnished free of charge by the Rubber Development Corporation to the Brazilian rubber goods industry through the Commissão de Controle dos Acordos de Washington.

[73] Not printed; it set forth in Portuguese text the terms stated below.

IV–The Government of Brazil undertakes to prevent the reexportation of any quantity of synthetic rubber and of any other plastics of a similar nature supplied to Brazil by the United States of America, through the intermediation of the Rubber Development Corporation, by virtue of the present agreement, unless such plastics shall have been transformed into manufactured goods, in conformity with the provisions of the October 3, 1942 agreement between Brazil and the United States of America.

V–Rubber Development Corporation undertakes to supply to Brazil such quantity of synthetic rubber, or other plastics of a similar nature, as may be necessary to carry out the terms of the present agreement, which quantity may not be less than 2,500 tons per year, at the following export prices F.O.B. factory in the United States of America:

GR–S (Buna S)—US$0.36 (thirty-six cents) per lb.
GR–S Special—US$0.36 (thirty-six cents) per lb.
GR–M Neoprene—US$0.45 (forty-five cents) per lb.

The basic prices above set forth may be reduced, in which case the Rubber Development Corporation shall enter into agreement with the Commissão de Controle dos Acordos de Washington in order to set up a new price schedule.

VI–Rubber Development Corporation, in addition to the tires and tubes that it is obligated to purchase, in accordance with the provisions of the October 3, 1942 agreement, agrees to buy, during the period established by the present agreement and in conformity with the terms and provisions of the October 3, 1942 agreement, such additional quantities of tires and tubes as may become available for exportation and which may have been produced by virtue of the use of synthetic rubber, or of other plastics of a similar nature, in the industry of the said products.

VII–Rubber Development Corporation agrees with the increase of the total consumption quota of 10,000 tons per year, established by the October 3, 1942 agreement, which may result from:

a)—unlimited use of reclaimed rubber; and

b)—use of synthetic rubber, or of other plastics of a similar nature, in conformity with the plan and arrangement hereby established, it being estimated that by carrying out the above measures the production capacity of the Brazilian rubber product industry will be increased to the maximum; it being also understood that all of the tires and tubes manufactured in Brazil, during the period specified in the present agreement, in excess of the essential necessities of the country, figured in accordance with the terms of the October 3, 1942 agreement as not being more than 7,500 tons, shall be sold to the United States of America, in accordance with the provisions of the above mentioned agreement of October 3, 1942.

VIII–In order to render the most efficient and practicable technical assistance in connection with the use of synthetic rubber, the Rubber Development Corporation undertakes, upon understanding with the Commissão de Controle dos Acordos de Washington, to send a technical commission to the United States of America, where the United States

Government will make available to the said commission all of the necessary technical data and information relative to the best and most modern methods of using synthetic rubber, or other plastics of a similar nature, in the manufacturing of tires and tubes, and other articles of manufactured rubber, and if during the life of this agreement there should be perfected any new method, such shall be placed at the disposal of the Commissão de Controle dos Acordos de Washington, it being understood that the Government of Brazil will take the necessary steps to the end:

1) that the technical information to be given by the Government of the United States of America, or through the intermediation thereof, shall only be used for the purposes covered by the present agreement; and

2) that the said information, which is considered confidential, shall only be made available to persons directly engaged in the production of rubber manufactured products, in order to avoid any abuse, or wrong application, of synthetic rubber, or of other plastics of a similar nature, as might bring about the failure of the objectives contemplated by the present agreement.

IX–It is understood that the plan and arrangement established by the present agreement shall remain in full force and effect during the same period fixed for the duration of the October 3, 1942 agreement, unless the parties hereto, after consultation with each other, should come to the conclusion that natural rubber is no longer necessary either for the war effort, or for the essential civilian requirements of the United Nations; in which case the present agreement shall terminate 90 (ninety) days after the written recognition of such fact is signed between the Rubber Development Corporation and the Commissão de Controle dos Acordos de Washington, it being hereby understood, however, that all the agreements altered by the present one, including that of October 3, 1942, shall continue in effect on the same bases and conditions as before.

I avail myself [etc.] WALTER J. DONNELLY

NEGOTIATIONS ON THE DISPOSAL OF THE BRAZILIAN COFFEE CROP [74]

832.61333/915 : Telegram

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

RIO DE JANEIRO, January 14, 1944—6 p. m.
[Received 7:18 p. m.]

153. The Minister of Finance [75] is greatly concerned with the possibility of resumption of coffee rationing in the United States. At a meeting today the Minister instructed Guedes [76] to take immediate

[74] Continued from *Foreign Relations*, 1943, vol. v, pp. 684–709. See also correspondence on the general interest of the United States in problems of coffee production and distribution as handled by the Inter-American Coffee Board, *ante*, pp. 134 ff.

[75] Arthur de Souza Costa.

[76] Jayme Fernandes Guedes, President, Brazilian National Coffee Department.

steps to correct the situation and said that if absolutely necessary the DNC [77] should ship coffee to the United States. Donnelly [78] pointed out to the Minister that this would have a very unfavorable reaction in the United States and should be avoided if at all possible. The Minister told Guedes that in his opinion the first thing to do was to decrease prices.

The Minister has arranged for a meeting on January 18 of a committee composed of coffee exporters to discuss the present problem and decide on the measures that should be adopted to facilitate the shipping of coffee to the United States. The Minister said the results of the meeting would be publicized both in Brazil and the United States.

SIMMONS

832.61333/915 : Telegram

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

WASHINGTON, January 15, 1944—5 p. m.

157. The following comments are made in reply to Embassy's telegram number 154 [*153*], January 14.

1. Coffee stocks, although decreasing, are relatively well distributed.

2. Concern here has been that the stagnation in trading since the middle of November might drastically reduce stocks in February or March.

3. If all shipping made available for coffee is utilized it is felt that it will not be necessary to restrict coffee consumption in any way.

4. The suggestion of the trade reported in Department's telegram 97 of January 10 [79] regarding the sale of coffee by the DNC envisaged sale of the coffee in Brazil rather than shipment by the DNC which it is believed would not be desirable or necessary to effect the purpose in view.

5. It is considered essential that the public in this country not know that there is any possibility of a return to coffee rationing and that no publicity should be given to this possibility in Brazil because circulation of the report might lead to coffee hoarding in the United States.

Please bring the foregoing to the attention of the appropriate Brazilian authorities in connection with the meeting scheduled for January 18.

HULL

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[77] National Coffee Department.
[78] Walter J. Donnelly, Counselor of Embassy for Economic Affairs.
[79] *Ante*, p. 135.

832.61333/917 : Telegram

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

RIO DE JANEIRO, January 18, 1944—8 p. m.
[Received 9:24 p. m.]

203. Department's 158, January 12 [*15*], 6 p. m.[80] The Embassy and FEA [81] agree that it would be inexpedient to raise question of shipping of coffee at this time.

Souza Costa and Guedes of DNC are studying proposal for termination of agreement; Guedes is strongly opposed to it. It appears that Souza Costa is awaiting the return of Penteado [82] before making a definite decision. The Embassy told the Foreign Office today that we expect to terminate the coffee agreement simultaneously with the ship deal.[83]

SIMMONS

832.61333/919 : Telegram

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

RIO DE JANERIO, January 20, 1944—8 p. m.
[Received January 20—7:20 p. m.]

234. With reference to paragraph 4 of the Department's 157, January 15, 5 p. m., the Embassy conveyed to Souza Costa and Guedes the suggestions of the trade, but as stated in previous communications, Souza Costa and Guedes have always felt that the DNC should ship coffee to the United States when difficult situations arise. The Embassy has always opposed such action on the grounds that it would be undesirable and would encounter strong opposition among coffee importers.

Souza Costa agrees with the views expressed in paragraph 5 of the telegram under reference.

A UP [84] despatch of January 13 with Washington date line and published extensively in Brazil referred to the possibility of rationing in the United States.

The meeting scheduled for January 18 has been postponed until January 21.

SIMMONS

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[80] Not printed.
[81] Foreign Economic Administration.
[82] Eurico Penteado, Brazilian delegate to the Inter-American Coffee Board.
[83] For correspondence on cooperation between the United States and Brazil with respect to shipping problems, see pp. 642 ff.
[84] United Press.

832.61333/920 : Telegram

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

RIO DE JANEIRO, January 22, 1944—4 p. m.
[Received 5:45 p. m.]

271. The coffee meeting referred to in the Embassy's 234 of January 20, 8 p. m., took place today at which Minister of Finance, Guedes and others were present. Although Guedes again opposed cancellation of the coffee agreement, the Minister of Finance agreed in principle to terminate it. He said he would discuss the matter with Aranha [85] early next week. I repeated that we desired to terminate the agreement in its entirety simultaneously with the ship deal.

The Minister again expressed himself as strongly opposed to any movement on the part of Brazil to increase coffee prices in the United States. He said he would facilitate exportation of coffee to the United States by increasing entries at port of Santos. Guedes remarked that entries at Santos now exceed 40,000 bags a day and that approximately 800,000 bags of coffee will be shipped from Santos to the United States in January and approximately one million bags for all of Brazil. The Minister is confident that the increase in entries and shipments (he again instructed Guedes to maintain entries at not less than 40,000 bags daily) would obviate any need for coffee rationing in the United States. The Minister added: "This must be avoided at all costs".

I told Souza Costa that we expect to conclude the ship negotiations next week; therefore, it is important that the Department expedite reply to the Embassy's 195 of January 18, 5 p. m.[86]

SIMMONS

832.61333/952a : Telegram

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

WASHINGTON, March 17, 1944—7 p. m.

892. Department greatly appreciates efforts made by the Embassy and authorities of the Brazilian Government during the past 3 or 4 months with a view to increasing the shipment of Brazilian coffee to the United States. It is felt that such efforts have been beneficial.

It is still very difficult, nevertheless, to purchase Brazilian coffee at prices which are in line with our ceilings. For example, the Army wishes to buy substantial quantities of coffee, but in spite of strenuous efforts during a 10-day period ending March 11 was unable to consummate a purchase of 250,000 bags of the desired quality in Brazil.

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[85] Oswaldo Aranha, Brazilian Minister for Foreign Affairs.

[86] Not printed: it indicated the anxiety of the Brazilians to complete the ship negotiations (832.852/85).

It was willing to pay prices equivalent to our ceilings for types of quota coffee needed by the Army. The negotiations in question were carried on on behalf of the Army by J. Aron and Company which was working with the DNC. The Army finally purchased Colombian coffee. Trade reports indicate that registrations under the Colombian quota have now been completed.

This development is a further proof of the desirability of terminating the coffee purchase agreement. It is anomalous for the FEA to be compelled to maintain an organization in Brazil to purchase coffee when importers and the Army are experiencing such difficulty in consummating purchases. The fact that virtually no coffee is being purchased under the agreement is an added reason for terminating it. Furthermore, since the agreement at present guarantees speculators that prices will not decline to any appreciable degree, its termination might facilitate freer movement of coffee in normal channels of trade.

Continued difficulties in purchasing Brazilian coffee are making it increasingly difficult to resist pressure for an increase in the quotas to permit larger imports from other countries. Such an increase has already been suggested by some of the delegates to the Inter-American Coffee Board and is favored by importers in this country.

Please discuss the foregoing with the appropriate authorities of the Brazilian Government with a view to ascertaining especially whether or not the Brazilian Government is prepared to accept our proposal regarding termination of the purchase agreement.

HULL

832.61333/955 : Telegram

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

RIO DE JANEIRO, March 25, 1944—3 p. m.
[Received 5 : 32 p. m.]

1135. Embassy's telegram 1047, March 20, 7 p. m.[87] The Minister of Finance has agreed to recommend to President Vargas termination of the coffee agreement and the ship deal. The latter was referred to him because of its connection with the coffee transaction. He promised to send the papers to the Foreign Office and President Vargas next week.

Both the Minister of Finance and Penteado, who is scheduled to arrive in Washington within a few days, are greatly concerned over a probable increase in coffee quotas. . . .

CAFFERY

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[87] Not printed.

832.61333/958 : Telegram

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

RIO DE JANEIRO, March 28, 1944—7 p. m.
[Received 8:43 p. m.]

1175. At the recommendation of Guedes of the DNC the Minister of Finance today suggested that termination of the coffee agreement could be expedited if we would agree to purchase 600,000 bags of coffee consisting of the unshipped balance of Victoria's for the quota year 1942–1943, or roughly 356,000 bags, approximately 158,000 bags of Paranaguá and 106,000 bags of other low grade types. The Embassy representative countered with appropriate arguments against the proposal and repeated that our Government desires unconditionally to cancel the agreement.

The Embassy representative suggested that the Brazilian Government not overlook the importance of other phases of the coffee trade with the United States such as the competition of mild producing countries, quotas, shipping, etc. (Embassy's 1135, March 25, 3 p. m.)

The Minister of Finance said he would present the coffee and ship agreements to President Vargas tomorrow and that he would review with him the points raised by the DNC and the Embassy. (Department's 981, March 25, 8 p. m.[88])

The Embassy suggests that the Department again emphasize to Penteado the importance of canceling the coffee agreement at once. His recommendations carry considerable weight with the Minister.

Guedes has informed the Embassy that the DNC has established extra quotas for Santos firms for the sale of 400,000 bags of coffee to our army. (Department's 892, March 27 [*17*], 7 p. m.)

CAFFERY

832.61333/955 : Telegram

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

WASHINGTON, March 28, 1944—9 p. m.

1004. Reference Embassy's telegram 1135, March 25. Although possible termination of the coffee purchase agreement and a possible increase in the coffee quotas were both mentioned in connection with difficulties being experienced by the Army in efforts to purchase Brazilian coffee in Department's telegram 892, March 17, the Department cannot agree to oppose an increase in the coffee quotas in exchange for Brazil's agreement to terminate the purchase agreement. It is believed that termination is desirable from the viewpoints both of the Brazilian and United States Governments regardless of possible changes in the quotas. It is requested that you make the foregoing

[88] Not printed.

clear to the Brazilian authorities before they decide whether or not to agree to termination.

If the FEA has to take delivery of the coffee it would appear to be desirable from the viewpoint of this Government that it be purchased during the present war period in view of Army and probable relief demands. The Department would therefore appreciate receiving the Embassy's comments as to whether or not, in the event the Brazilian authorities are not disposed to favor termination, it would be possible to persuade them of the reasonableness of a proposal that they should either agree to terminate the agreement or to expect the FEA to purchase only so much of the coffee as may be offered for sale during a period of the next 6 to 12 months under conditions as to types and prices established by the agreement.

With reference to a possible increase in the quotas you may point out to the Brazilian authorities that it might very well place the United States delegate in an untenable position and bring the Inter-American Coffee Agreement into disfavor in this country if he were strenuously to oppose an increase in the quotas in view of the high rate of coffee consumption in the United States at the present time, the relatively unsatisfactory stock position, and the fact that Colombian registrations are already closed and the quotas of some of the other countries are nearly completed. In this connection it may be pointed out that the rate of roasting in the United States since October 1, if maintained throughout the quota year will result in the roasting of approximately 16 million bags for civilian consumption in addition to Army demands of at least 3 million bags. It was because of the factors outlined in this paragraph and a sincere desire on the part of the Department to see Brazil maintain her position in this market that the Department has been urging, during the past four months, that everything possible be done to facilitate the movement of Brazilian coffee to the United States and that it has been urging upon our shipping authorities that they supply as much shipping as possible for the movement of Brazilian coffee. You may assure the Brazilian authorities that every practicable effort will be made during the present year to provide shipping for all coffee sold under the Brazilian quota, whether it be the present quota or a larger one.

HULL

832.61333/959 : Telegram

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

RIO DE JANEIRO, March 31, 1944—8 p. m.
[Received 10 : 10 p. m.]

1224. The Minister of Finance and Guedes have long since realized that coffee quotas will be increased and there has been no thought at

any time that the Department would oppose such action in exchange for Brazil's agreement to terminate the coffee agreement. In accordance with the Department's instruction (Department's 1004, March 28, 9 p. m.) the Embassy has made the foregoing clear in a memorandum to the Minister.

Souza Costa is taking the position that it would be politically inexpedient to terminate the agreement now and states that President Vargas and Aranha share this view. He will defer a decision on the agreement until after the Easter holidays. (He will be absent from Rio de Janeiro next week).

The Embassy suggests that the Minister might agree to cancellation of the agreement at the expiration of 6 months on September 30 on the condition that we purchase a maximum of 350,000 bags of Victoria coffee during that period. This would relieve us of the obligation to buy over 3,500,000 bags under the terms of the Agreement.

Reports are circulating in Santos that a motion to request an increase of 2 cents per pound in the United States ceilings will be approved at the forthcoming meeting of the Inter-American Coffee Board. In addition São Paulo coffee interests are today petitioning President Vargas to improve coffee prices either by means of an increase in ceilings in the United States or a reduction in the export tax in Brazil. Coffee exporters in Santos feel we need their coffee and that if they hold out long enough we will be forced to raise prices.

Souza Costa is perplexed over reports which the Embassy has confirmed that some of the leading exporters including the Simonsen group and American coffee corporation are buying coffee at prices in excess of our ceilings, this despite the fact that stocks in Santos now exceed 3,000,000 bags and the recent official statement by the OPA [89] that ceiling prices will be maintained. He assumes that they are in possession of "inside information" and is investigating the situation.

CAFFERY

832.61333/975a : Telegram

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

WASHINGTON, April 19, 1944—9 p. m.

1263. Reference Department's telegram 1222, April 15.[90] The Department and FEA wish to do everything possible to facilitate efforts of the Embassy to obtain termination of the coffee purchase agreement. It is regretted therefore that we have been unable to communicate with the Embassy sooner, following the Embassy's telephone conversation of April 17 with Mr. Collado.[91]

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[89] Office of Price Administration.
[90] Not printed.
[91] Emilio G. Collado, Chairman of the Inter-American Coffee Board.

The matter has been discussed fully by officers of the Department and Foreign Economic Administration. While we are anxious to reach an understanding quickly, we are of the opinion that the proposal contained in Embassy's telegram 1381 of April 13 [92] should be clarified and slightly modified. In this connection, attention is called to the meeting of April 27, 1943 in Rio de Janeiro at which time the Foreign Minister approved an adjustment under which our commitment to purchase Paranaguá coffees was transferred to Santos. It has been our understanding that we have been relieved of our obligation in Paranaguá but in an effort to arrive at a satisfactory basis for terminating the agreement, a quantity of that quality of coffee has been included in our proposal.

In addition, we assume that further purchases which we are required to make, will be accomplished in accordance with the procedure and regulations previously established.

Unless the Embassy perceives objection it is requested to present the following conditions for cancelling the agreement to the Brazilian authorities and to use its best efforts to obtain their approval:

"With reference to this Embassy's note 2020 of February 1, 1944,[93] relative to the purchase agreement, I am authorized by my Government to exchange letters with Your Excellency providing for the termination of the agreement of October 3, 1942 in its entirety on September 30, 1944. My Government undertakes to dispose of the coffee heretofore acquired in outlets outside of the United States unless entry of some of the coffee into the United States should be necessary to meet an emergency situation such as might require a resumption of rationing.

It is understood that the obligation of my Government to purchase further coffee under the agreement will be limited to and discharged by purchasing all or such part of the unshipped balance of 350,000 bags of Victoria coffee for the 1942–1943 quota year as may be offered for sale to my Government prior to September 30, 1944 at prices up to 7.00 cents per pound f.o.b. steamer for Victoria 7/8's and all or such part of the unshipped balance of 140,000 bags of Paranaguá coffees of the 1941–1942 quota year or their equivalent, as may be offered for sale to my Government prior to September 30, 1944 at prices up to 10.75 cents per pound f.o.b. steamer for Paranaguá 4's, strictly soft, with differentials for other grades in both cases, in accordance with the OPA Revised Price Schedule No. 50 – Green Coffee, now in effect.

It is further understood that my Government will undertake not to dispose of any of the coffee acquired under the provisions of the

[92] Not printed; in brief, the proposal balanced Brazilian agreement to cancel against United States willingness to buy 350,000 bags of Victoria and 140,000 bags of Paranaguá coffee (832.61333/966).

[93] Not printed; it discussed cancellation of the coffee purchase agreement in terms of its relation to shipping, to the continued need for it, and to the manner of disposing of coffee.

immediately preceding paragraph in the United States prior to March 31, 1945, but that it may dispose of such coffee in the United States after March 31, 1945 if, after exercising its best efforts, it is not able otherwise to dispose of it."

It is requested that we be informed promptly of all developments regarding this matter.

HULL

832.61333/976 : Telegram

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

RIO DE JANEIRO, April 29, 1944—2 p. m.
[Received 4: 45 p. m.]

1995. Department's 1263, April 19, 9 p. m. The Minister of Finance raises the following objections to the proposed letter:

(1) The price for Victoria 7/8 should be 7.40 cents per pound, which was the price agreed upon originally (see Embassy's despatch 11060 [*11066*] of April 30 [1943][94]) and at which purchases have been made; and (2) the second paragraph should read "f.o.b. steamer on the basis of Paranaguá 4's" instead of "f.o.b. steamer for Paranaguá 4's".

The Minister concurs in the remainder of the letter and he indicated that he will request the Minister for Foreign Affairs to sign it when the above mentioned points are clarified. It is felt that these are the most favorable terms that can be obtained.

CAFFERY

832.61333/954

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

No. 5892 WASHINGTON, May 1, 1944.

Reference is made to the Embassy's despatch no. 14,943 of March 15, 1944 and to the Embassy's despatch no. 15,123 of March 28, 1944 [95] regarding the question of shipping space for the transportation of coffee from Brazil to the United States.

The desire of the United States Government to lift as much Brazilian coffee as possible is, of course, well known to the Embassy and was restated as recently as March 28, 1944 in Department's telegram no. 1004, wherein it was pointed out that the Embassy might assure the Brazilian authorities that every practicable effort will be made during the present quota year to provide shipping for all coffee sold under the Brazilian quota whether it be the then existing quota or a

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[94] *Foreign Relations*, 1943, vol. v, p. 693.
[95] Neither printed.

larger one.[96] The following is therefore given principally as an addition to the Embassy's background information.

Although the aforementioned statement in Department's telegram no. 1004 of March 28, 1944 was not a commitment to provide tonnage for any given quantity of Brazilian coffee, it was cleared with the shipping authorities of the Government prior to transmittal and every practicable effort will be made to provide shipping for as much coffee as may be available. It seems improbable, however, that it will be possible to move more than the quota of 10,230,000 bags which was in effect prior to the twenty percent increase voted by the Inter-American Coffee Board on April 20, 1944. In fact, as much as 10,000,000 bags of Brazilian coffee should be imported this year, it should be regarded as a major war-time accomplishment of the shipping authorities and of the Brazilian and United States coffee trades, since the United States has never imported such a large quantity of coffee from Brazil in any previous year.

Mr. Eurico Penteado, Brazilian delegate to the Inter-American Coffee Board, has recently been assured by Mr. Harold Poel, Stockpiling and Transportation Division, War Production Board, that all efforts consonant with the necessity of moving other commodities of greater strategic importance to the war effort will be made to move 10,230,000 bags of Brazilian coffee during the present quota year.

Shipments during the months of April and May are expected to be very heavy, amounting each month, perhaps, to as much as 70,000 tons. Shipments during June and July are expected to be considerably less than those in April and May but it is hoped that shipments during August and September may again be heavy. This latter development depends, of course, on developments which at present are highly uncertain.

Any request from the Brazilian authorities for tonnage to relieve port congestion at Santos or to facilitate the movement of Brazilian coffee may be considered against this background.

Very truly yours, For the Secretary of State:
DEAN ACHESON

832.61333/976 : Telegram

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

WASHINGTON, May 5, 1944—4 p. m.

1429. Your 1595, April 29. From FEA for Rich[97] and for the Embassy from the Department. We agree to modify the conditions for termination of the Coffee Purchase Agreement contained in Depart-

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[96] For correspondence on changing coffee quotas, see pp. 134 ff.
[97] Maj. Richard H. Rich, FEA representative in Rio de Janeiro.

ment's 1263 of April 19 to conform to the points raised by the Minister of Finance, namely, (1) to set the price for Victoria 7/8's at 7.40 cents per pound fob steamer and (2) to substitute the words "fob steamer on the basis of Paranaguá 4's, strictly soft," for the words "fob steamer for Paranaguá 4's strictly soft."

The Department and Foreign Economic Administration wish to express their appreciation to the Embassy and to the Foreign Economic Administration staff for their prompt co-operation in advancing the negotiations for cancellation of the agreement. It is hoped that the final exchange of letters with the Brazilian Government can now be accomplished without further difficulty.[98]

HULL

832.61333/992

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

No. 16028 RIO DE JANEIRO, May 24, 1944.
[Received May 30.]

SIR: With reference to the Embassy's despatch No. 15820 of May 12,[99] I have the honor to attach copies and a translation of a letter of May 20 and a memorandum from the Ministry of Foreign Affairs [1] suggesting a revision in ceiling prices on Brazilian coffee in the United States, "to the effect that it may receive in the United States of America the same treatment as that given to the majority of producing countries with respect to ceiling prices".

The Minister of Finance has requested the Embassy to send the enclosures by airmail to the Department. The Minister hopes that the Department and the Office of Price Administration will give prompt consideration to the memorandum and expedite a reply to it. According to the Minister, the Ministry of Foreign Affairs has forwarded copies of the memorandum to Sr. Penteado. The Minister stated also that he had recently discussed the matter with Sr. Valentim Bouças,[2] who is now visiting the United States, and that Sr. Bouças had indicated that it would be difficult to obtain an upward revision of coffee ceiling prices in the United States.

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[98] The final exchange of letters, not printed, was dated May 8 and June 21, 1944 (832.61333/6–2344).

[99] Not printed.

[1] Neither printed.

[2] Executive Secretary of the Brazilian Commission for the Control of the Washington Accords.

The Embassy has informed the Minister of Finance on at least three occasions that the OPA was not disposed to increase ceiling prices on coffee in the United States. Despite these statements, the Minister feels that he must make at least one more attempt to obtain a readjustment of the ceiling prices on Brazilian coffee in the United States. The Minister told the Embassy representative on May 23, that if our Government's reply is negative, he will then take whatever steps are necessary here to bring coffee prices within the range of the ceiling prices in the United States and to resume large scale exports of coffee to the United States.

A report today from Santos indicates that the coffee trade there has ascertained that the Brazilian Government has delivered the attached memorandum to the American Embassy and on the strength of this report prices of coffee for future deliveries have soared to new levels. Future sales in Santos are at a standstill and it is unlikely that the situation will change until the decision of our Government on the proposal is made known to them through the Ministry of Finance and the National Coffee Department.

Respectfully yours, For the Ambassador:

WALTER J. DONNELLY

Counselor of Embassy for Economic Affairs

832.61333/992 : Telegram

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

WASHINGTON, June 7, 1944—6 p. m.

1739. Following is the letter from Chester Bowles, Administrator, Office of Price Administration, to the Secretary regarding the Brazilian request for a readjustment of coffee price ceilings:

"I acknowledge receipt of your letter of June 2, enclosing a copy of Dispatch No. 16028 received from the American Embassy in Rio, and a memorandum from the Brazilian Ministry of Foreign Affairs suggesting a readjustment of the United States ceiling price for green Brazilian coffee.

I have carefully examined the suggested plan and find that, contrary to the opinion expressed by the Ministry, this adjustment of green coffee ceiling prices would require a corresponding increase in the retail ceiling price for roasted coffee.

As you no doubt are aware, some of the most popular brands of roasted coffee consist almost exclusively of Brazilian coffee grading

4's. To permit green coffee grading 4's to sell at the ceiling price now set for 2's, would dislocate the narrow margin under which the coffee roaster is now operating. We would then be required to either raise the retail ceiling price of roasted coffee, or witness the disappearance from the market of these popular priced brands. In either event, the general level of prices of roasted coffee would be raised and result in a breach of the President's 'Hold the Line' order of April 8, 1943.[3]

On this point I urge you to repeat and emphasize to the Brazilian Ministry our previously published announcement as to the effect that green and roasted coffee ceiling prices cannot be increased under the present circumstances. Our policy is not intended to reflect any position with respect to the equity of the producers' prices. Rather, it reflects the fact that any action which would upset the present delicate balance in our economic stabilization program would result in such far reaching economic difficulties as to be unthinkable in the face of the present war-time emergency.

Under the circumstances, I regret exceedingly that I cannot agree to re-adjust the United States ceiling prices for green Brazilian coffee, as suggested by the Brazilian Ministry of Foreign Affairs."

Please inform Brazilian authorities.

STETTINIUS

832.61333/992 : Telegram

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

RIO DE JANEIRO, June 9, 1944—3 p. m.
[Received 4 : 18 p. m.]

2103. Department's 1739, June 7, 6 p. m. I have informed the appropriate Brazilian authorities.

The Finance Minister told me today that he will call a meeting next week of the delegates of coffee-producing states. He will inform them that he has exhausted every means of obtaining an increase in coffee ceiling prices in the United States; also that unless exporters are willing to sell coffee for shipment to the US within the price ceilings that the Government will do so by drawing on the stocks of the National Coffee Department. He added "I am confident the coffee problem will be settled within 10 days".[4]

He requested that we treat as confidential until after the above mentioned meeting the decision of the OPA.

CAFFERY

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[3] Executive Order No. 9328, 8 *Federal Register* 4681.

[4] The Coffee Convention recognized the necessity of maintaining normal coffee exports and authorized the National Coffee Department to sell coffee from its stocks to insure compliance.

561.333 D 3/6–2744 : Telegram

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

RIO DE JANEIRO, June 27, 1944—11 a. m.
[Received 1:50 p. m.]

2332. According to National Coffee Department, 797,188 bags were sold and registered at Santos for export to United States between June 25 and July 31 and the coffee is now available at Santos. Of this quantity, 357,791 bags are for shipment to New York for which space has been allocated for only 100,000 bags. The balance of 439,397 bags is for shipment to New Orleans and the Pacific Coast; however, no space has yet been allocated for this tonnage. In addition sales to United States Army for shipment from Santos through July total 316,000 of which space closed for 221,000 bags.

Sales registered during the same period for export to the United States from Rio de Janeiro, Angra dos Reis and Paranaguá are reported at 238,903, 31,000 and 40,000 bags respectively. Coffee Department has knowledge of confirmed space for Paranaguá but none for Rio and Angra.

Shipments from Santos to United States from June 1 to June 24 totalled 564,582 bags; from Rio de Janeiro 4,600 bags and from Angra dos Reis 37,250 bags.

Shipments from Brazil to United States through May 31 and chargeable to fourth coffee quota year totalled 7,269,717 bags.

Stocks at Santos on June 24 were 3,741,835 bags and all Brazil approximately 4,500,000 bags.

Hard and Rand [5] are now negotiating with Coffee Department for purchase 500,000 bags for the army. In order to meet army requirements, Coffee Department will if necessary, release coffee from its stocks.

It is hoped Department can postpone quota increase in view of general favorable acceptance here of recently announced policy of Brazilian Government to bring prices within the range of OPA ceilings (Embassy's 2244 of June 20, 2 p. m.[6]) despite opposition of strong coffee group in São Paulo. Furthermore, the Minister of Finance,[7] who is responsible for the new policy, left yesterday for the United States to attend Monetary Conference [8] and an increase in quotas shortly after his arrival there would prove most embarrassing to him.

CAFFERY

[5] Hard and Rand, Inc., coffee dealers of New York City.
[6] Not printed.
[7] Arthur de Souza Costa.
[8] United Nations Monetary and Financial Conference held at Bretton Woods, New Hampshire, July 1–22; for correspondence on the Conference, see vol. II, pp. 106 ff.

561.333D3/7–644 : Airgram

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

WASHINGTON, July 6, 1944—4: 50 p. m.

A–932. The following Memorandum of Understanding was signed on July 4 by Brazilian Minister of Finance Souza Costa and Assistant Secretary of State Acheson:

1. The Brazilian Government, through the National Coffee Department of Brazil, will offer coffees for sale to the Office of the Quartermaster General in the following quantities and in the following manner:

(*a*) 1,000,000 bags of Brazilian coffee.

(*b*) This offer to be made and contract completed prior to July 15, 1944.

(*c*) All such coffees to be sold through the regular channels of trade, i.e., the D.N.C. will sell through their exporters, who will sell in turn to United States importers. The importers will contact the Army, giving a full description of the coffee beans offered for sale.

(*d*) All such coffees to be offered at prices which will permit resale in the United States at prices that are equivalent to Office of Price Administration price ceilings.

(*e*) The coffees to be made available for shipment from the Port of Santos during the month of August, 1944.

(*f*) The type and quality of coffees offered are to be suitable for the United States Army, and this is understood to mean strictly soft solid bean coffee, grading from Santos 2's to Santos 5's inclusive.

2. The Brazilian Government, through the National Coffee Department of Brazil, will also assure the sale of coffees to the United States market in the following quantities and in the following manner:

(*a*) 500,000 bags for August shipment from the Port of Santos.

(*b*) 1,000,000 bags for shipment from Brazilian ports each month from September through December 1944, inclusive.

(*c*) All such coffees to be offered through the regular channels of trade.

(*d*) All such coffees to be offered at prices which will permit resale in the United States at prices that are equivalent to Office of Price Administration price ceilings.

(*e*) The type and quality of coffees offered are to be suitable for the United States market, and this is understood to mean strictly soft solid bean coffee, grading from Santos 2's to Santos 5's inclusive.

So long as sales and deliveries of coffee by Brazil are in accordance with the foregoing conditions, the United States delegate to the Inter-American Coffee Board will be instructed not to recommend or

support a resolution providing for a further increase in the quotas under the Inter-American Coffee Agreement during the present quota year.

HULL

832.61333/7–1444 : Telegram

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

RIO DE JANEIRO, July 14, 1944—1 p. m.
[Received 7:41 p. m.]

2524. Following today's telephone conversation between Cale [9] and Donnelly, the latter informed Guedes in Santos that the United States Army will accept only strictly soft solid bean coffee as specified in paragraph (*f*) of the agreement of July 4. Guedes replied that paragraph (*f*) of the Portuguese translation of the agreement which Sousa Costa telegraphed to him reads "exclusivamente mole" and not "estrictamente mole". He attributes the mistake to a faulty translation and he added that he arranged for the sale of one million bags in accordance with the provisions of the Portuguese translation of the agreement.

Guedes now states that it is impossible to offer one million bags strictly soft for August shipment. He feels that the United States Army is making a mistake in not accepting the one million bags of soft and strictly soft and requests that they reconsider their decision based upon his assurances today to Sousa Costa that the million bags will consists of 50% 2 to 4 soft and 50% strictly soft.

CAFFERY

832.61333/7–1544 : Telegram

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

WASHINGTON, July 15, 1944—10 p. m.

2186. It is highly desirable from the viewpoint of this Government that the commitments of the Brazilian Government regarding the sale and delivery of coffee contained in the memorandum of understanding signed at Bretton Woods on July 4 by the Brazilian Finance Minister and Assistant Secretary of State Acheson [10] be fulfilled promptly and without alteration. You are therefore requested to take the matter up as soon as possible with the Foreign Minister, and, in your discretion, with President Vargas, with a view to ob-

[9] Edward G. Cale, Assistant Chief, Commodities Division, and Chairman of the Inter-American Coffee Board.

[10] Text transmitted to Rio de Janeiro in instruction A–932, July 6, p. 632.

taining speedy fulfillment of the understanding. It is understood that the Finance Minister discussed the matter with the Foreign Minister before signing the memorandum of understanding.

The commitments, as you are aware, were that the Brazilian Government through the National Coffee Department of Brazil would offer for sale to the Office of the Quartermaster General through regular trade channels one million bags of Brazilian strictly soft solid bean coffee, grading from Santos 2s to Santos 5s, inclusive, for shipment during August, at prices that would permit resale within the United States at prices that are equivalent to Office of Price Administration price ceilings; that the foregoing offer would be made and the contract completed prior to July 15, 1944; and that the Brazilian Government would in addition assure the sale of coffee of the same types, through similar channels, and under the same conditions as to price in the amount of 500,000 bags for August shipment and 1,000,000 for shipment each month from September through December 1944.

You should say that this Government considers it extremely important that the commitment regarding sale of coffee to the Army be fulfilled in view of the fact that it is highly improbable in the absence of such a sale that it would be possible even if the coffee quotas are increased at this late date, to prevent the requisitioning of civilian supplies by the Army and a return to coffee rationing in the very near future. Since the time limit on the sale of the million bags of coffee to the Army will have expired before you discuss the matter with officials of the Brazilian Government, you are authorized to postpone the date on which the contract for sale to the Army is to be completed until not later than July 22, 1944. You are also authorized, subject to agreement by the Brazilian Government, to change the time of shipment of the Army coffee from 1,000,000 for August shipment, as now specified, to 500,000 bags for August shipment and 500,000 bags for September shipment. In view of the very serious supply position which is threatened in this country, we can not make concessions regarding any other feature of the commitment.

It is essential that both Army and civilian supplies be assured, especially in view of the fact that the mild coffee producing countries are reported to be organizing for the purpose of forcing a revision of United States price ceilings by limiting coffee shipments to the United States.

The quality of coffee offered by Brazilian exporters since the signing of the memorandum of understanding has been much inferior to that provided in the memorandum and therefore unacceptable.

For the Embassy's strictly confidential information the Army's stocks position is unsatisfactory, and the quantity of coffee that it needs to buy in order to establish a safe inventory is large. About

the middle of June the Office of the Quartermaster General had definite offers from Colombia which would have permitted the Army to purchase substantial quantities of strictly soft Colombian coffee. Since purchase of the coffee would have involved an increase in the quotas and since the Brazilian Government indicated that it was prepared to supply the Army with coffee in the event the quotas were not increased, the Department persuaded the Office of the Quartermaster General not to press for purchase of Colombian coffee or for an increase in the quotas. Failure of Brazil to deliver coffee to the Army in accordance with the memorandum of understanding will, therefore, not only jeopardize the Army's supply position but will be extremely embarrassing to the Department, since the offer of Colombian coffees has been withdrawn and it is doubtful that it will be renewed.

You are requested urgently to discuss the foregoing matter with the proper authorities and urge compliance in the most vigorous terms with the recent memorandum of understanding.

Please report promptly concerning the results of your conversation.

HULL

832.61333/7–1744 : Telegram

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

WASHINGTON, July 19, 1944—10 p. m.

2223. Embassy's telegram 2561, July 17.[11] The Office of the Quartermaster General had bought from seven different importers 162,000 bags of strictly soft solid bean Santos coffee grading 2's to 5's for August shipment as of Tuesday night, July 18, was negotiating for additional quantities sufficient to bring the total for August shipment to 342,000 bags and was of the view that coffee of the agreed type and grades would be forthcoming soon to complete the purchase of the 500,000 bags for August shipment.

No coffee had been bought for September shipment. For the Embassy's strictly confidential information the Office of the Quartermaster General has been informed through a trade source that an attempt might be made to have that office agree to purchase the second 500,000 bags for shipment during September or October at sellers option but that the full 500,000 bags could be obtained for September shipment should the office insist. It intends to do this and the Embassy will be informed in the event that any unexpected difficulties should arise in connection with the completion of the purchase of the million bags for shipment by the end of September.

It is hoped that the Brazilian authorities will take the necessary

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[11] Not printed.

action to assure the sale of the 4,500,000 bags of civilian coffee for shipment by the end of December in accordance with the memorandum of understanding. The Embassy is requested to follow the situation closely with a view to taking such steps as might be necessary to assure such action.

HULL

832.61333/9–1544 : Telegram

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

RIO DE JANEIRO, September 15, 1944—10 a. m.
[Received 3:03 p. m.]

3315. Department's 2811, September 13, 4 p. m.[12] Souza Costa and Guedes today assured the Embassy that the Brazilian Government will live up to the Memorandum of Understanding reached in Washington. Guedes said that the 300,000 bags to complete the second lot of 500,000 bags of coffee for the Army will be in Santos about September 15.

To insure the availability for export to the U. S. of one million bags of civilian coffee in each of the months of October, November and December, the DNC has arranged for deliveries to port of Santos of at least 30,000 bags of DNC coffee daily. The coffee will be sold to exporters only upon presentation of documentary proof of sales of an equivalent amount to the United States. To remove any doubts as to his (Guedes) intent, my Economic Counselor drafted in his presence the following memorandum which he read and approved:

"Dr. Guedes of the DNC today assured the Embassy that the remaining 300,000 bags of the second lot of 500,000 bags for the Army will be delivered to the exporters in Santos by September 15. Also, that the DNC will provide coffee to exporters in Santos in order to permit exportation of one million bags of (?)[13] coffee to the United States during October, November and December each. Entries at Santos now approximate 30,000 bags daily of DNC coffee. The DNC expects to increase shipments to Santos."

To encourage American purchases of the one million bags per month, the Department's representative on the Inter-American Coffee Board may wish to intimate to the coffee trade that the DNC has given assurances that the coffee will be available to exporters here.

CAFFERY

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[12] Not printed; it indicated that Brazil would default on its coffee deliveries unless it acted immediately.

[13] Evidently an omission of a qualifying adjective.

832.61333/9–3044

Memorandum of Telephone Conversation, by Mr. James H. Wright, Assistant to the Director of the Office of American Republic Affairs (Duggan)

[WASHINGTON,] September 30, 1944.

Immediately following my talk with Judge Jones,[14] concerning the critical coffee shortage, I discussed the matter with Mr. Cale, whereupon I went to see Ambassador Caffery.[15] I described the situation to the Ambassador, who immediately despatched a strong telegram to the Embassy in Rio de Janeiro telling Mr. Donnelly to take the matter up at once with President Vargas in his name. Shortly thereafter a meeting was held in Ambassador Caffery's office, attended by Messrs. Haley and Cale of ECA,[16] Chalmers and Harrison of BA,[17] and myself. In the course of this meeting, at the Ambassador's request, I called Judge Jones on the telephone to tell him of Ambassador Caffery's telegram to Rio and to say that we were hopeful that this would bring forth results. The Judge said that it looked as if the die were cast; there would be rationing Monday morning. He would rather take a whipping (*sic*) than do this, but his people had convinced him it was necessary. Approval had been obtained from Justice Byrnes[18] and Judge Vinson.[19] Judge Jones said that the runs on retail coffee stocks had gotten completely out of hand because of radio and newspaper reports of possible impending rationing. He saw no other course than to ration. I assured the Judge that we would immediately communicate to him any information we obtained from Brazil and he thanked me for this.

JAMES H. WRIGHT

832.61333/10–144 : Telegram

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

RIO DE JANEIRO, October 1, 1944.
[Received October 1—2: 07 p. m.]

3535. The Minister of Finance Arthur de Souza Costa gave the following official statement concerning coffee to the Brazilian press and the foreign news agencies today Sunday afternoon.

"When I was in the United States in July of this year I declared that the Brazilian Government through the intermediary of the

[14] Marvin Jones, War Food Administrator.
[15] Ambassador Caffery had returned to the United States as a result of his assignment as Ambassador to the *de facto* French authority in Paris.
[16] Office of Economic Affairs.
[17] Division of Brazilian Affairs.
[18] James F. Byrnes, Director of War Mobilization.
[19] Fred M. Vinson, Director, Office of Economic Stabilization.

National Coffee Department would take the necessary steps to make available to the American coffee trade, through the normal commercial channels and within ceiling prices prevailing in the United States, 1,000,000 bags of coffee during each of the months of September, October, November, and December of this year, independent of quantities already acquired by the American armed forces. The American authorities were of the opinion that with this program the civilian supply of coffee of the United States would be guaranteed. The Brazilian Government has taken all measures necessary for the execution of this program which is being rigorously fulfilled.

I may add that the exportation of Brazilian coffee to the United States during the quota year which terminated yesterday September 30th was in excess of 10,500,000 bags, a new record in our shipments to the United States."

DONNELLY

832.61333/10–144 : Telegram

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

RIO DE JANEIRO, October 1, 1944—2 p. m.
[Received 5 : 15 p. m.]

3534. Department's 2986, September 29, 7 p. m.[20] Immediately following last night's telephone conversation with the Department I conferred with Souza Costa who was greatly surprised to learn of the developments in the U S because he had just received reports from Penteado that the coffee stock position there was sufficient for 5 months consumption. He showed me several telegrams received on Saturday from the U S alleging that price ceilings would be increased shortly.

Despite this information and severe local pressure which has very important political aspects (especially in the state of São Paulo) Souza Costa gave me emphatic assurances that his understanding with the Department would be carried out to the letter. We then drafted the text of the official communiqué. President Vargas was informed and gave his unqualified approval, Guedes of the DNC was also present. He informed that (1) entries at Santos would be increased from 30,000 to 45,000 bags daily effective October 2 (Souza Costa released the press statement only after he had obtained assurances of rail priorities for the quantities mentioned from interior points to Santos); (2) the coffee will consist of strictly soft types to be drawn from the DNC and bankers stocks; (3) the coffee will be made available to exporters against proof of sales in the United States and within the price ceilings there. . . .

DONNELLY

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[20] Not printed.

832.61333/10–244 : Telegram

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

WASHINGTON, October 2, 1944—5 p. m.

3006. Please express to President Vargas, Souza Costa, Guedes and such other Brazilian authorities as may have contributed to the avoidance of coffee rationing in this country, your Government's heartfelt thanks for their prompt and effective action, which is only the last of a long series of instances in which Brazil and the United States have demonstrated how two friendly powers can work together in an understanding manner to serve their common interests. Ambassador Caffery has asked me to permit him to join with me in this message.

HULL

832.61333/10–344 : Telegram

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

WASHINGTON, October 3, 1944.

3017. Byrnes press release on coffee of October 1 read as follows:

As a result of developments in the past 24 hours, Director of War Mobilization James F. Byrnes announced this afternoon that the resumption of coffee rationing is unnecessary.

Reports that coffee rationing was imminent caused runs on stocks in grocery stores in some parts of the country. However, ample replacement stocks to retailers are available from wholesalers and coffee roasters.

Justice Byrnes issued the following statement:

> "With 4 months supply of coffee now available to civilians, and on basis of assurances received today by the Department of State from Brazil that the filling of orders for United States coffee importers would be resumed tomorrow, rationing of coffee is unnecessary.
>
> "Stocks of coffee in this country available to civilians September 1, totaled 670,000,000 pounds compared with 201,000,000 pounds when coffee rationing began in November 1942 and 487,000,000 pounds on July 29, 1943, when rationing ended."

In a public statement at Rio de Janeiro, Brazilian Finance Minister Arthur de Souza Costa gave assurances that one million bags of coffee per month would be provided to the American coffee trade through normal trade channels. American importers have had difficulty in recent weeks in contracting for adequate supplies from exporting countries to maintain the necessary flow of coffee to this country. Because of this difficulty stocks have been declining.

Justice Byrnes stated that "stocks of coffee now in this country amount to about 3½ months' supply, which is more than a normal supply. Those stocks, together with stocks on ships bound for this

country, and coffee purchased for shipment to this country, constitute about 4 months' supply. The resumption of shipments will now make possible the maintenance of an adequate working inventory. Ample cargo space is available to ship the needed coffee to this country."

Appended was the full text of the official statement issued by Souza Costa and contained in the Embassy's 3531 [*3535*], October 1.

HULL

561.333D3/11–344 : Telegram

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

RIO DE JANEIRO, November 3, 1944—7 p. m.
[Received 10 : 45 p. m.]

3949. Guedes states that DNC sold approximately 900,000 bags of coffee to exporters in Santos during October. Souza Costa and Guedes told me today that they are making arrangements to sell not less than 1,200,000 bags during November.

Guedes said that information available to the DNC show that vessels have been allocated to lift only 700,000 bags this month (WSA [21] here confirms this figure). In other words there will be a shortage of space for almost 500,000 bags for shipment to the United States during November. The storage situation at Santos is so serious that unless additional vessels are assigned to the coffee trade the DNC will be forced to reduce entries into Santos.

Exports of coffee from Brazil to the United States during October aggregated one million bags.

DONNELLY

832.61333/11–844 : Telegram

The Consul General at São Paulo (Cross) to the Secretary of State

SÃO PAULO, November 8, 1944—7 p. m.
[Received 9 : 15 p. m.]

147. Dependable sources of coffee information believe that if the OPA made a definite statement that coffee prices would not be increased as long as the war lasted in Europe or in Asia Brazilian prices would return within the United States ceilings and that ample coffee would be forthcoming to supply United States needs. Increase in price would help only large growers, middlemen and speculators and encourage greatly increased plantings of coffee.

CROSS

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[21] War Shipping Administration.

832.61333/10–144 : Airgram

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

WASHINGTON, December 5, 1944—10 a. m.

A–1582. ReEmbs 3535, October 1. Souza Costa's press statement on October 1 seemed to indicate that it was his understanding that the Brazilian commitment for civilian coffee amounted to a million bags a month September through December. As the Embassy knows, the Memorandum of Understanding also stipulated 500,000 bags of civilian coffee for August shipment from Santos.

The Embassy is requested to transmit to the Department as soon as practicable the quantity of Army and civilian coffee made available for shipment by months under the terms of the Memorandum of Understanding August 1 to November 30. It is not clear here how much civilian coffee shipped from Santos during August was counted against the Memorandum of Understanding commitment of 500,000 bags.

The Department presumes that the Brazilian Government interprets the Memorandum of Understanding as meaning that all coffees made available for shipment to the United States civilian market at any Brazilian port during September through December may be counted in fulfillment of the commitment.

STETTINIUS

832.61333/12–2344 : Telegram

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

RIO DE JANEIRO, December 23, 1944—3 p. m.
[Received 7: 01 p. m.]

4521. Department's 3764 December 22, 1 p. m.[22] The time is not opportune, in my opinion, to discuss the matter with Souza Costa because he is very disappointed over the results of the Vinson meeting (Department's circular telegram December 21, 10 p. m.[23]). Moreover the new president of the National Coffee Department[24] (Embassy's 4474, December 8 [*18*], 6 p. m.[25]) will take office on December 26 and this will be followed by a reorganization of the Department and possibly changes in the coffee policy.

I told Souza Costa yesterday (and Velloso today) that there will be no increase in coffee price ceilings. He remarked that politically

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[22] Not printed; it suggested the advisability of opening conversations to renew the July Memorandum of Understanding (832.61333/12–2244).
[23] *Ante*, p. 166.
[24] Ovidio de Abreu.
[25] Not printed.

the situation is very difficult for him. He said that Penteado continues to send optimistic reports regarding the possibilities for obtaining an increase in prices.

I expect to meet next week with Souza Costa and the new president of the DNC and shall inform the Department of their views on the coffee situation.

DONNELLY

COOPERATION BETWEEN THE UNITED STATES AND BRAZIL WITH RESPECT TO SHIPPING PROBLEMS

832.852/82

The War Shipping Administrator (Land) to the Secretary of State

WASHINGTON, [undated].[26]

DEAR MR. SECRETARY: By agreement dated September 30, 1942,[27] the United States of America entered into an agreement with the United States of Brazil under the terms of which the Brazilian Government bareboat chartered to the United States Government thirteen vessels and, in addition, agreed to maintain, in trade between the two countries, twenty-three other vessels.

In respect of the chartered vessels, our Government assumed all of the risks customarily assumed by a bareboat charterer and, in consideration of the maintenance of the twenty-three vessels in the Brazilian-United States Services, our Government agreed that if, as a result of a marine or war casualty, any of the twenty-three non-chartered vessels became a total loss during the period of their service in the Brazilian-United States services, such lost vessel would be replaced after the war by a vessel of similar size, tonnage, and characteristics. Our Government agreed that in the event it was unable to effect such replacement it would pay to the Brazilian Government the amount required to purchase a replacement vessel of similar size, tonnage, and characteristics.

The Brazilians are experiencing difficulty in obtaining sufficient tonnage for their coastwise trade and, in view of the importance of such trade at this time, have requested that the bareboat chartered vessels be redelivered to them. They have also requested that the replacement and insurance features be continued as to those non-chartered vessels which, by agreement, are maintained in Brazilian-United States Service.

You have considered this matter and have indicated that it would

[26] Received in the Department of State December 14, 1943; a copy was transmitted to the Embassy in Brazil in Department's instruction 5420, December 21, 1943.

[27] Not printed; for summary, see *Foreign Relations*, 1942, vol. v, p. 743, footnote 29.

be desirable from your point of view for the War Shipping Administration to continue, insofar as it has authority to do so, the replacement and insurance privileges as to the specified non-chartered vessels which are, by agreement, to be maintained in United States–Brazil Services.

In view of the altered conditions contemplated in the proposed arrangements, the War Shipping Administration would have no authority to provide the replacement and insurance privileges insofar as they apply to total losses resulting from marine, as distinguished from war, casualties.

However, on the strength of your request as above stated, and in accordance with my authority, I have determined that it would be of material benefit to the war effort to provide, at a nominal rate, war risk hull insurance covering against total loss of the subject non-chartered Brazilian vessels. Such insurance would support the replacement or replacement-value undertakings in respect to total losses arising from war, as distinguished from marine, casualties and may be provided by the War Shipping Administration at a nominal premium pursuant to Public Law 523—77th Congress.[28] Accordingly, it is suggested that you submit to the Government of the United States of Brazil the following proposal:

[Here follow several paragraphs on suggested points of understanding, the substance of which was embodied in the signed agreement quoted in airgram A–303, February 17, 2 p. m., from Rio de Janeiro, printed on page 646.]

The Brazilians have stated that they are unable to replace any of the twenty-one vessels which may be lost in the United States–Brazil Service and propose to bareboat charter American vessels from the United States, for operation in that service, following the pattern already established by the War Shipping Administration with British, Norwegian, and Greek Governments. This is a matter which should be determined later and only after a full study has been made. It is thought that discussion of such proposal at this time might unnecessarily hinder prompt compliance with the Brazilian request for the return of the chartered vessels.

Redelivery of the chartered vessels will be in conformity with the terms of bareboat charters under which they are presently operating and will take place in a United States or Brazilian port, as the case may be, upon completion of discharge of cargo from the Northbound or Southbound voyage on which each respective vessel is engaged at the time a preliminary understanding is reached in the premises.

Sincerely, E. S. LAND

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[28] Marine War-Risk Insurance Act of April 11, 1942; 56 Stat. 214.

832.50/159

Memorandum by the Chief of the Division of the American Republics (Bonsal)[29]

[WASHINGTON,] January 4, 1944.

The Brazilian Ambassador[30] came in this afternoon. He argued forcefully and to some extent convincingly that our export policy toward Brazil could be and therefore should be revised. It is his position that many restrictions and regulations now in force are no longer justified by circumstances. He stated that it was extremely important to avoid the continued making in Brazil of unfavorable comparisons between Brazil's position in the matter of essential material and that of Argentina. He described conditions in Buenos Aires, which he has just visited, in glowing terms.

I think there is enough in what the Ambassador said to warrant a very careful re-examination of this whole situation with FEA.[31]

The Ambassador also spoke with considerable heat regarding the shipping situation. He stated that since the war the Argentine merchant marine had practically been created and developed until it is now of considerable importance. On the other hand, the Brazilian merchant marine has lost heavily due to submarine activity (the Ambassador mentioned the figure of 50 ships sunk) and the Brazilians have been unable to expect any additional ships from us. The Ambassador mentioned with further indignation the refusal of WSA[32] recently to license the transfer of a 1000 ton vessel. On the other hand, the Brazilians with their desperate need for vessels both for foreign and domestic trade are being regaled with accounts of the tremendous performance of our shipbuilding industry. It seems to me that this, too, would bear looking into since with the present set-up in the other American republics Brazil is more than ever our main support and reliance.[33]

PHILIP W. BONSAL

800.8830 Coal/350 : Airgram

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

WASHINGTON, January 22, 1944—1:30 p. m.

A–86. The Embassy's report of a conversation with Aranha[34] concerning Brazilian coal shipments to Argentina as reported in your

[29] Addressed to the Special Adviser on the Other American Republics (Collado) and the Assistant Secretary of State (Acheson).

[30] Carlos Martins Pereira e Sousa.

[31] Foreign Economic Administration.

[32] War Shipping Administration.

[33] For the view of President Roosevelt on ships for Brazil, see his memorandum of January 12, p. 568.

[34] Oswaldo Aranha, Brazilian Minister for Foreign Affairs.

telegram No. 64 of January 6, 7 p. m.[35] has caused the Department some concern. The Embassy is already in receipt of airmail instruction No. A–45 of January 12, 1944 (from FEA for Rich)[36] requesting a resurvey of the coal and coke requirements of Brazil.

Coal presents the United States not only with a shipping problem at this time but with a serious supply problem. The coal mining situation is such that coal shortages have developed in various sections in the United States and every ton licensed for export must have the prior approval of the Secretary of the Interior Office of Solid Fuel Administrator which most carefully examines from what mines near seaboard the supply can be drawn without causing an even greater dislocation than now exists. The war agencies are well aware that at the insistent request of the Brazilian Government coal mining machinery and equipment were sent to Brazil in order to increase coal production for national consumption. Presumably it is now contemplated that this equipment shall be used for the production of coal to be exported to Argentina. This contemplated move on the part of Brazil will most certainly be looked upon very unfavorably by the coal export control authorities here when at the same time sacrifices are being made both in supply and shipping to provide coal to Brazil from the United States and from South Africa. Furthermore, the Department feels, in view of the Argentine situation, that it would strike a most discordant note in Allied unity if Brazil should facilitate the export of coal to Argentina at this time.

Aranha's contention that there is no foreign or Brazilian coastwise shipping available for the transportation of coal from the Santa Catarina coastal district to the areas of industrial consumption is being investigated at this end. At the same time it would be appreciated if the Embassy could investigate the shipping situation from the Brazilian side and inform the Department whether this contention is well based.

HULL

832.852/89

The War Shipping Administrator (Land) to the Secretary of State

WASHINGTON, February 4, 1944.

MY DEAR MR. SECRETARY: This will acknowledge receipt of your letter of January 15th[35] with which you enclosed photostatic copy of memorandum from the President[37] suggesting that Brazil be sup-

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[35] Not printed.

[36] Presumably Maj. Richard H. Rich, field representative of the Foreign Economic Administration; instruction not printed.

[37] Dated January 12, p. 568.

plied with cargo ships to replace the many Brazilian ships which have been lost by enemy action.

May I say very candidly that the shipping position, in so far as we can see it, for the next five or six months is as tight as it has been at any time since the war started. The reason for this is that as each theatre of war has become active, huge tonnages have been necessarily retained for operational purposes. Beyond this, the relief requirements, which the Army inform us are as essential to the success of the military operations as the requirements for the armed forces, have imposed an additional and heavy strain upon our resources.

I am sure you would not want us, nor would our gallant ally, Brazil, ask us, to transfer to their registry any ship which otherwise would be carrying the sinews of war with which it is to be hoped the Axis powers will be as speedily as possible brought to their knees and crushed. When our position is easier, we will be glad indeed to give sympathetic consideration to the suggestion.

For your information, we have now completed arrangements to return to the complete control of the Brazilian Maritime Commission the remaining nine Brazilian ships which we had under charter from the Brazilian Government. As you know, three of the twelve Brazilian ships which we had under such charter arrangement have been lost. Beyond returning such vessels to the Brazilians, we do not see what we can do now without affecting the conduct of the war.

Very truly yours, E. S. LAND

832.852/91 : Airgram

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

RIO DE JANEIRO, February 17, 1944—2 p. m.
[Received February 21—3 p. m.]

A–303. With reference to the Department's telegram 530, February 16, 7 p. m.,[40] the Embassy reports below the final text of the proposed ship agreement with the Brazilian Government:

"I have the honor to give below the terms under which my Government proposes to return to Brazil the Brazilian flag vessels chartered to the United States of America by virtue of the agreement which Your Excellency and I signed on September 30, 1942:

"1. The War Shipping Administration is agreeable to the return of the chartered vessels for use in the Brazilian Coastwise Trade in order to reenforce shipping effort as between the United States and Brazil.

"2. Brazil in the operation of her coastwise services will give to American military cargoes and those of Rubber Development Corporation and other United States Government Agencies the

[40] Not printed.

same preferential treatment given Brazilian Government cargoes of similar nature.

"3. Brazil will exert the maximum effort within the availability of coastal services and warehouse facilities to transport from secondary ports to the main ports of Santos, Rio de Janeiro, Victoria, Bahia, Pernambuco and Pará cargoes destined for export to the United States.

"4. Brazil will continue to maintain in the United States–Brazil Services 21 of her ships assuming thereby responsibility for the movement of not less than 25,000 tons monthly each northbound and southbound. These vessels are to be named by the Brazilian Government in accordance with the United States Government. Replacement in said Services of any of such vessels lost or withdrawn shall be subject to the approval of both Governments and the replacement or insurance privileges hereinafter stated shall not be granted until such approval is obtained. Brazil may withdraw any vessel temporarily from the terms of this agreement for the purpose of allocating it to a service other than operation between the United States and Brazil, but only with prior concurrence of the United States and in such event the privileges granted herein shall be withdrawn as to such vessel while it is detached from United States–Brazil service.

"5. The United States Government will, after the war, replace any vessel totally lost as the result of a war casualty, as provided in the attached exhibit [41] which is incorporated into and forms a part of this agreement, occurring during the period of its service under this agreement. Partial losses from war risks and total or partial marine risk losses are expressly excluded, and insurance against such losses will not be provided by the United States Government. The replacements to be made after the war shall, in each case, be by a vessel of approximately similar dimensions, tonnage and characteristics and of comparable value to the lost vessel. The values of both replacement vessel and lost vessel shall be established by the Mixed Commission hereinafter referred to on the basis of United States market values current at or about the time of replacement. If for any reason the United States Government is unable or unauthorized to effect such replacement, it will pay to the Brazilian Government an amount required by the Brazilian Government to purchase such a replacement vessel. The sums required to be paid in accordance with this paragraph and the characteristics of the replacement vessel shall be determined by a Mixed Commission to be established by the two Governments within 60 days after the end of the hostilities in which the United States and Brazil are at present engaged.

"6. Either the United States Government or the Brazilian Government may terminate these arrangements upon 60 days' written notice to the other, such termination not to affect accrued responsibilities of the United States, however, as to vessels already lost by war risk.

"7. Any obligations which may have been incurred on behalf of either Brazil or the United States under the agreements of

[41] Not printed.

September 30, 1942, and December 7, 1942,[43] will be settled in accordance with the terms of the Agreements and letters exchanged between the Governments of the United States and Brazil.

"8. The letters and agreements of September 30, 1942, and December 7, 1942, herein above referred to are canceled as of today.

"It would be appreciated if Your Excellency would confirm the agreement of the Government of Brazil to the foregoing terms."

CAFFERY

832.852/90 : Telegram

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

RIO DE JANEIRO, February 17, 1944—8 p. m.
[Received 11 : 19 p. m.]

606. Department's 530, February 16, 7 p. m.[44] The Embassy and Brazilian Maritime Commission are in agreement. Foreign Office is sending text to President Vargas for his approval. The Embassy requests telegraphic authority to exchange notes with Foreign Office based upon the text reported in the Embassy's airgram 303 February 17, 2 p. m.

CAFFERY

832.852/92

The Acting Secretary of State to the Brazilian Ambassador (Martins)

WASHINGTON, February 23, 1944.

MY DEAR MR. AMBASSADOR: I refer to your conversation with the Secretary on January 18[45] at which you discussed among other things the request of the Brazilian Government for merchant vessels to replace in part the Brazilian merchant vessels which have been lost by enemy action.

The Secretary and other officials of the Department have explored this proposal with the competent officials of this Government, including the Administrator and Deputy Administrator of the War Shipping Administration, in an effort to satisfy your Government's request. We learn, however, that the shipping position in the next six months or so, as envisaged by the officials responsible for shipping, is as tight as it has been at any time since the beginning of the war. Thanks to the remarkable building records of our shipyards and to the grow-

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[43] The agreement of December 7, 1942 (not printed) contained a schedule of delivery for some of the ships (832.852/68).

[44] Not printed.

[45] Memorandum of conversation not printed.

ing success of the campaign against the submarine we are now able to mount large operations requiring prodigious amounts of shipping tonnage. Nevertheless the demand for tonnage by each theater of war as it becomes active, and the relief requirements for liberated areas, so essential to the success of military operations, still make demands on shipping beyond our constantly improving supplies.

I am, however, assured that with the easing of the shipping position which may come about, we hope, before too long, the War Shipping Administration will be glad to give renewed sympathetic consideration to your Government's suggestion.

In the foregoing connection I am reminded that arrangements have been completed by the Brazilian Maritime Commission and the War Shipping Administration, acting through our Embassy at Rio de Janeiro, for the return of the remaining nine Brazilian ships which until now have been operating under charter generously offered us by your Government. I trust that this measure will contribute to the alleviation of the situation which your Government had in mind in making the proposal discussed above, and I assure you of the readiness of this Government to give sympathetic consideration to any other feasible measures which may occur to your Government.

Sincerely yours, EDWARD R. STETTINIUS, JR.

832.852/90 : Telegram

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

WASHINGTON, February 26, 1944—9 p. m.

634. Your 606, February 17, 8 p. m. The Department has been informed by a representative of the War Shipping Administration that WSA has addressed a letter to the Department today approving the text of the proposed shipping agreement as set forth in your A–303, February 17. You are therefore authorized to exchange notes with the Foreign Office based upon this text.

STETTINIUS

832.85/7–1344

The Brazilian Ambassador (Martins) to the Secretary of State

[Translation]

No. 318/580(22)(42) WASHINGTON, July 13, 1944.

MR. SECRETARY OF STATE: I have the honor to inform Your Excellency that the Brazilian Government in virtue of the Shipping Agreement, signed April 14, 1944,[46] with this country, has decided

[46] The notes exchanged on April 14, 1944 embodied the text of the Ship Agreement as quoted in airgram A–303, February 17, from Rio de Janeiro, p. 646.

that the following vessels be maintained on the Brazil–United States lines: Aracajú, Aiuruoca, Barroso, Cantuária, Camamú, Comandante Lira, Comandante Pessôa Cearáloide, Imediato J. Silva, Jaboatão, Lesteloide, Mandú, Mauá, Midosi, Paranáloide, Rio Branco, Poconé, Santarém, Tiradentes, Taubaté and Vitorialoide.

2. The Brazilian Government hopes, therefore, that in virtue of the measure taken above, those vessels will enjoy the benefits of insurance, as guaranteed by the Government of the United States of America, in the terms of the above-mentioned agreement.

I avail myself [etc.] CARLOS MARTINS PEREIRA E SOUSA

DISCUSSIONS REGARDING BRAZILIAN TRADE CONTROL METHODS

832.24/2722

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

No. 14206 RIO DE JANEIRO, January 15, 1944.
[Received January 24.]

SIR: I have the honor to report that the American Chambers of Commerce in Rio de Janeiro and São Paulo have jointly and formally requested the discontinuance of the Decentralization Plan,[48] as evidenced by the attached self-explanatory copies of a letter just received by the Embassy.[49] The Chambers' detailed views, as expressed in their letter of December 6, 1943, are attached to the Embassy's Despatches numbers 13975 of December 24 and 14036 of December 30, 1943.[50]

In the above connection, Mr. Stephen Danforth, past President of the Chamber and a leading business man in Brazil, is now in the United States. The latter gentleman will receive a copy of the Chambers' present request and will endeavor to enlist the support of the United States Chamber of Commerce, the National Foreign Trade Council, and other export associations. If in agreement, these groups will then appeal directly to Washington agencies.

With reference to the foregoing, the Embassy has drafted a proposed note to the Ministry of Foreign Affairs suggesting the elimination of the Decentralization Plan and other controls which have become burdensome to the commerce and industry of the United States and Brazil, and copies thereof are attached.[49]

The Embassy is of the opinion that normal trade relations between Brazilian importers and American suppliers should be resumed at

[48] See *Foreign Relations*, 1943, vol. v, pp. 106 ff.
[49] Not printed.
[50] None printed.

once, the importers simply placing their orders with the suppliers for delivery when possible, with all questions involving quotas, allocations, etc., being handled directly with the American exporters by the Foreign Economic Administration in Washington. The former would handle exports through their customary sales outlets here, and thus resume normal peacetime trade channels. Any other controls thought to be temporarily necessary, such as consignee control, could be handled in conjunction with the Statements of Cargo Availability in Washington.

The Embassy and the Special Representative of the Foreign Economic Administration in Rio de Janeiro,[51] are in entire agreement with the recommendations of the American Chambers of Commerce in Brazil, as evidenced by the proposed note to the Ministry of Foreign Affairs, which the Embassy trusts will meet with the approval of the Department.

Respectfully yours, For the Chargé d'Affaires ad interim:
WALTER J. DONNELLY
Counselor of Embassy for Economic Affairs

611.3231/1478

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

No. 14416 RIO DE JANEIRO, January 31, 1944.
[Received February 8.]

SIR: Referring to the Department's instruction No. 5266 of November 10, 1943, filed No. 611.3231/1642 [*1471a*], and my despatch No. 13889 of December 16, 1943,[52] in regard to a confidential memorandum prepared by the Department concerning the possibilities of concluding a new Reciprocal Trade Agreement, I have the honor to enclose a translation of a letter from the Minister of Foreign Affairs,[53] dated January 27, 1944,[54] accepting in principle the Department's suggestion, and expressing a willingness to exchange impressions and initiate discussions with American representatives with a view to ascertaining whether it is desirable to conclude a new Trade Agreement.

An official of the Ministry of Foreign Affairs in a recent discussion of this subject with my Economic Counselor [55] indicated informally that Brazil had in mind the creation of a joint Brazilian-Embassy preparatory committee for the purpose of making preliminary studies. Mr. Donnelly was also given the impression by this official that the Brazilian Government had in mind a somewhat more compre-

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[51] Presumably Hubert C. Winans.
[52] Neither printed.
[53] Oswaldo Aranha.
[54] Not printed.
[55] Walter J. Donnelly.

hensive revision of the current agreement than the Department possibly contemplates at this time.

Respectfully yours, For the Ambassador:
WALTER J. DONNELLY
Counselor of Embassy for Economic Affairs

832.24/2722

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

No. 5621 WASHINGTON, February 15, 1944.

The Secretary of State informs the Embassy that the Department has noted with great interest the Embassy's despatch no. 14206 of January 15, 1944 proposing the complete elimination of the Decentralization Plan as well as other controls burdensome to commerce.

Officials of the Department had the opportunity to discuss with Mr. Stephen Danforth his views and the views of the American Chamber of Commerce for Brazil, as presented by him, during his recent visit to Washington. Mr. Danforth was informed that the Department was aware of the inherent danger to future trade of the existing elaborate documentary controls and that the Department and the Foreign Economic Administration were developing plans to modify these controls as rapidly as conditions permit. Mr. Danforth concurred with the viewpoint that a sudden elimination of all existing controls might precipitate a confusion which would be most undesirable. In this connection Mr. Danforth agreed in general with the recent resolution of the National Foreign Trade Council that relaxation and elimination of superfluous documentary controls should be undertaken as rapidly as possible but in a progressive and orderly manner.

The Department and the Foreign Economic Administration are now preparing communications to the field proposing a further substantial rollback of the Decentralization procedure with the elimination of the necessity for Import Preference Requests on five large groups of commodities. It is possible that between now and July 1, 1944 further proposals will be made, with the objective of eventually arriving at a small positive list of critical items, which for reasons of extremely short supply, will be continued under the Preference Request Recommendation system.

While there are evidences of substantial improvement with respect to the supply and production facilities affecting certain commodities, and while the shipping problem is less acute, nevertheless, the war situation has not yet developed to the point where sweeping relaxation of controls would be advisable. In the rollback of January 1, and the contemplated proposals for further rollback, it will be necessary in the majority of cases to continue subjecting export clearance to indi-

vidual export licenses issued by the Foreign Economic Administration. Thus, the primary accomplishment in these modifications of the Decentralization Plan will, unfortunately, be merely the elimination of the Preference Request Recommendations issued abroad.

The Embassy's views in the despatch under reference as to the immediate necessity for eliminating wartime controls so that trade can return to normal channels, while a highly desirable objective, perhaps does not take into account the fact that the War Production Board still controls the allotment of materials under the CMP [56] Plan and the Preference Rating system, and that the only way supply assistance can be rendered an export case is through the documentary process of an individual export license. The Statement of Cargo Availability is perhaps an adequate control document with reference to those limited items which can be returned to general license, but is considered to be wholly inadequate as a document to obtain supply assistance through the War Production Board. Furthermore, exporters do not file a Statement of Cargo Availability until they have the goods in hand for export which means that they have gone through the process of applying for and receiving supply assistance. Thus, the Embassy's desire that the Statement of Cargo Availability be used as the sole documentary control anticipates a readjustment of administrative processes so sweeping that it cannot be considered at this time, although the agencies are anxious and willing to simplify procedures as much as possible and as quickly as practicable.

In view of this situation the Department does not feel that this is the opportune time for the Embassy to submit to the Brazilian Foreign Office the proposed note transmitted with the despatch under reference.

103.9169/2551a : Circular airgram

The Acting Secretary of State to Certain Diplomatic Representatives in the American Republics [57]

WASHINGTON, February 15, 1944—11 : 40 a. m.

From FEA, Bureau of Areas, Pan-American Branch, to the FEA Special Representatives. For reasons related to production problems in the United States and other special factors as given in the respective circular airgrams which follow, it is proposed at this time to remove the following items effective March 1, 1944 from the Import Recommendation* procedure:

1. Trucks, passenger cars, buses and other motor vehicles.

[56] Controlled Materials Plan.

[57] Sent to the diplomatic representatives in all the American Republics except Argentina, Bolivia, Cuba, Dominican Republic, Mexico, Paraguay, and Uruguay.

*Brazil—Preference Request Recommendation. [Footnote in the original.]

2. Repair parts for maintenance of capital equipment (excluding assembly parts).
3. Radio receiving tubes and other radio equipment.
4. Office machinery and appliances, including typewriters.
5. Petroleum products.

In view of the various considerations which determined the choice of the above commodity groups, we are today sending separate circular airgrams covering each group with specific proposals.

In presenting these proposals for consideration by the Embassy and the Certifying Agency, we wish you to reiterate that these recommendations are due to production and related problems as indicated in the separate airgrams as well as to the desire to reduce to a minimum paper work for exporters and importers on shipments of these materials to the country to which you are accredited.

This objective cannot be attained, however, if the foreign governments attempt to establish new documentary controls, such as import permit systems, in substitution for the relaxation in the Decentralization procedure proposed herein. Some countries have already established national import controls correlated to the Import Recommendation procedures and integrated with the exchange control systems previously established but it is highly desirable that such minimum exchange controls as may now be in existence not be encumbered additionally by new forms of controls. In explaining this position to the foreign government you may refer to the general and well known desire of this Government to liberate trade whenever possible of all unnecessary documentation and controls and to request where controls are for valid reasons inescapable (such as exchange control in some instances), to have them administered on a non-discriminatory and most-favored-nation basis.

The Foreign Economic Administration representative and the Embassy are requested to consult and promptly inform the Foreign Economic Administration of the reactions of the Embassy and the Certifying Agency with respect to the five commodity classes on which action is now requested inasmuch as the Foreign Economic Administration desires to make these modifications effective March 1, 1944, or as shortly thereafter as possible but not later than March 15, 1944. In instituting this rollback the Foreign Economic Administration will endeavor, insofar as is possible, to fully honor those applications accompanied by corresponding Import Recommendations already issued.

For the confidential information of the Mission the Foreign Economic Administration and the Department have under consideration the possibility of proposing a further rollback of Decentralization to become effective as of July 1, 1944, and of establishing at that time a positive list of only those commodities which must still continue

under the Decentralization procedure. One of the major considerations in mind with respect to this problem is the desire to avoid jeopardizing our future trade position by the continuance of documentary controls which are susceptible of developing into trade barriers which may throttle the movement of commodities as and when the emergency diminishes. [FEA.]

STETTINIUS

611.3231/1482

Memorandum by the Chief of the Division of Commercial Policy (Fowler) to the Secretary of State

[WASHINGTON,] March 23, 1944.

MR. SECRETARY: The Brazilian Government has accepted in principle a proposal which we made with your approval in November that confidential exploratory discussions take place to find a possible basis for a new trade agreement to replace the existing one,[58] now nine years old.

Although we have had no indication from the Brazilian Government as to what new products they would propose for Schedule II [59] consideration, it is believed that few items of a controversial nature would enter the negotiations. These two should be mentioned, however:

1. *Rubber.* In the present agreement with Brazil "gutta balata, crude" is bound free. It is possible that Brazil might request a broadening of the classification. However, "India rubber, crude" was included in the Bolivian list published in April, 1942 and we have not had any public reaction to its inclusion. No comment at all was made on it at the Bolivian public hearings.
2. *Cottonseed Oil.* This might be a controversial item, if included, but strong opposition from the Department of Agriculture to its inclusion may be expected.

Other less important items which might be involved are canned beef, bovine hides and skins, cottonseed cake and meal, and cotton linters. Concessions on these items, however, have already been granted in other agreements.

The state of our preparatory work is such that it would probably be about three months before we could determine, after confidential exploratory discussions with the Brazilians, whether a mutually satisfactory basis existed for a new agreement. If such a basis were

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[58] For correspondence on the negotiation of this agreement, signed February 2, 1935, see *Foreign Relations*, 1935, vol. IV, pp. 300 ff.; for text and exchange of notes, see Department of State Executive Agreement Series No. 82, or 49 Stat. (pt. 2) 3808 and 3834.

[59] Schedule in the trade agreement which included articles produced or manufactured in Brazil upon which tariff concessions were given when imported into the United States.

found to exist, this would place public announcement and formal negotiations in the middle and late summer. If you would not desire this, confidential exploratory discussions could be extended so that there would be no publicity until late in the year. Your decision would be appreciated on this point.[60]

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WILLIAM A. FOWLER

832.24/2914

Memorandum of Conversation, by the Chief of the American Republics Requirements Division (Knox)

[WASHINGTON,] April 11, 1944.

Participants: Mr. Sarmanho [61]
Mr. Campos [62]
Mr. Dodson [63]
Mr. Knox

Minister Sarmanho and Mr. Campos asked the writer to luncheon and requested that following the luncheon there be arranged a joint meeting with Mr. Dodson of the FEA.

. . . . . .

We then went on to the meeting with Dodson. Sarmanho reiterated to Dodson the points he had raised with me . . . He did state, however, that he would recommend to his Government that a rigid import-exchange permit be established under which each importer in Brazil must get an exchange permit document which the exporter would have to present to the Brazilian Consuls in the States before the consular documents could be visaed for the export, and that he, Sarmanho, would instruct the Consuls what documents to honor or reject. Dodson stated that he personally felt that Mr. Sarmanho was unduly exercised over the theoretical problems that might arise and advised that nothing be done to further complicate the picture.

Sarmanho stated that the first thing was to insure that all the outstanding valid Preference Requests be licensed, and he volunteered to prepare and present to FEA a list of such I.R.'s. Dodson said that it would be valuable to have such a list and that he would accept it with pleasure and that it might be possible, after examination, to make some sort of a check to see where we stood and, perhaps, to stimulate the submission of tardy I.R.'s so as to clear the decks.

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[60] In a marginal note the Secretary's preference was indicated as "Late in the year."

[61] Walder Sarmanho, Brazilian Commercial Counselor.

[62] Roberto de Oliveira Campos, Brazilian Attaché.

[63] Raymond I. Dodson, Assistant to the Director, Pan American Branch, Foreign Economic Administration.

When Sarmanho and Campos left they were in a most affable mood. They appeared pleased with the four hours which had been devoted to their problems, and went away in good spirits.

CHARLES F. KNOX, JR.

632.116/100

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

No. 6051 WASHINGTON, June 19, 1944.

SIR: Reference is made to the Embassy's despatch no. 15534, of April 24, 1944,[64] concerning a new measure of the Bank of Brazil which requires that all exchange applications be accompanied by proof that the Carteira de Exportação e Importação is in accord with the importation for which the exchange is to be used.

The Embassy states that the ostensible reason for the measure is to be found in past references by the Director of the Carteira de Exportação e Importação to Brazil's desire to control the exchange balances which it has built up in recent years, so that they will be used for articles considered essential to Brazil. The Embassy further expresses the opinion that the real purpose of the measure is to prevent the dumping of foreign merchandise in Brazil, and that there is a danger that Brazil will use the control to prevent the importation of products which the Bank of Brazil considers not essential to Brazil's economy and to protect local manufacturers.

The Director of the Carteira is quoted as having stated, to a representative of the Embassy, that the measure "is not a control measure because the Bank of Brazil is not authorized by law to control imports into Brazil and it is designed only to keep the Carteira fully informed of all imports into Brazil". The Embassy's despatch also indicates that the Director referred to it on the same occasion as "a means of protecting her [Brazil's] [65] wartime economy", and that he avoided discussion of the points set forth in the preceding paragraph, although he indicated that the Bank would consider them in passing on all applications for the purchase of foreign exchange.

The Department and other agencies of this Government, as well as members of the export trade doing business with Brazil, share the apprehensions of the Embassy as to the possible uses of the measure. The Embassy's despatch no. 15919 of May 17, 1944,[64] setting forth the circumstances which required the intervention of the Embassy in order to obtain approval of an exchange application for American whiskey, is evidence that these apprehensions are not groundless. Before addressing specific instructions to the Embassy with respect

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[64] Not printed.

[65] Brackets appear in the original.

to the measure, however, the Department desires to receive the Embassy's views as to the timeliness of an official approach to the Brazilian Government on the subject. If the Embassy is of the opinion that the measure should not be made the subject of protest at an early date, the Department desires to be fully informed as to the reasons which lead to this opinion.

The Department also desires to be informed of the reaction of Brazilian importers to this new control measure, inasmuch as it affects their interests as well as those of foreign exporters, and of any action which Brazilian importers or trade groups may be taking with a view to obtaining the rescission of the measure.

The following observations with respect to commercial policy implications of the measure are based on informal study of the information thus far available to the Department. They are transmitted to the Embassy for its information, and as background material for use by the Embassy, in its discretion, in conversations with the appropriate Brazilian authorities with respect to the purposes and uses of the measure.

The Department finds it difficult to reconcile the statement of the Director of the Carteira that the new measure "is not a control measure because the Bank of Brazil is not authorized by law to control imports into Brazil, and it is designed only to keep the Carteira fully informed of all imports into Brazil" with (1) the statement in the Bank's instruction that exchange authorizations will be granted only when applications are accompanied by proof that the Carteira is in accord with the importation for which the payment is intended, (2) the Director's reference to it as a measure for protecting Brazil's wartime economy, (3) past statements of Brazil's desire to control exchange balances to the end that they will be used for articles considered essential to Brazil, (4) the Director's avoidance of discussion of the possible use of the measure to protect local manufacturers and to prevent importation of products which the Bank considers not essential to Brazil's economy, while indicating that the Bank would consider them in passing on all applications for foreign exchange, and (5) the Bank's rejection of an application covering window glass on the ground that adequate supplies were available in Brazil, and its more recent rejection (subsequently rescinded) of an exchange application covering American whiskey.

If the measure is merely for informational purposes, it would seem that a post-review of applications would suffice and that a prior review would scarcely be necessary. In any event, it is not apparent what information would be obtained by review, whether prior or post, which is not already available from other sources.

With respect to the Director's reference to use of the measure for protecting Brazil's wartime economy, it seems clear that the measure

is being initiated at a time when emphasis might be placed more logically on the progressive diminution and elimination of wartime controls, as rapidly as wartime conditions permit, in anticipation of efforts to revitalize and augment international trade in the post-war period. As the Embassy and the Brazilian Government are aware, it is the policy of the Government of the United States to remove wartime trade controls as soon as they are no longer necessary in connection with the war effort, and to simplify those which remain necessary. This Government considers the implementation of this policy important not only to relieve foreign traders here and abroad from the burden of unnecessary restrictions and formalities but also as a necessary preliminary step looking toward the general relaxation of barriers to trade without which post-war world trade relationships cannot be reestablished on a sound basis.

With regard to the possible use of the exchange control measure to insure that foreign exchange balances are used for "articles considered essential to Brazil", it is the Department's view that exchange control on commercial transactions should be avoided if it is at all possible to do so because such control inevitably tends to restrict trade, not solely for balance-of-payments reasons but also for reasons of protection of domestic producers against foreign competition. Most countries which have established such control have done so because of emergency balance-of-payments situations. The large reserves of foreign exchange which Brazil has accumulated during the war would appear to make the measure unnecessary at this time for balance-of-payments purposes; furthermore, it is not to be supposed that with the termination of hostilities Brazilian exports will necessarily decline sharply.

Were the new regulations applied in a restrictive manner with respect to commodities which are included in Schedule I [67] of the Reciprocal Trade Agreement between the United States and Brazil, they would, of course, impair the value of these concessions. In any case, the measure appears to be contrary to the spirit of the Agreement and its appended notes with respect to exchange control, as well as its stated purpose of giving "effect to the principles embodied in the Resolution on economic, commercial and tariff policies approved on December 16, 1933, by the Seventh International Conference of American States." [68]

It appears that the new Brazilian control has already been used

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[67] Schedule in the Trade Agreement which included articles produced or manufactured in the United States upon which tariff concessions were given when imported into Brazil.

[68] Department of State Conference Series No. 19: *Report of the Delegates of the United States of America to the Seventh International Conference of American States, Montevideo, Uruguay, December 3–26, 1933* (Washington, Government Printing Office, 1934), pp. 196–198. For correspondence concerning the Conference, see *Foreign Relations*, 1933, vol. IV, pp. 1 ff.

to protect a local industry in the case of window glass, and that this may have been a consideration in its rejection (subsequently rescinded) of an exchange application covering American whiskey. The Embassy has reported previous actions designed to protect the Brazilian glass industry, including the placing of imported glass under distribution control, and the increasing of the duties on glass against which the Embassy has already been instructed to protest.

The Government of the United States has made it clear that its own wartime import control measures are not to be used to protect domestic industries, nor in the case of a given commodity, to discriminate between the countries of origin. In this connection, it may be recalled that the purpose of United States General Imports Order M–63 is to assure the most effective use of available shipping space, under wartime conditions, for imports into the United States, and that the order is amended from time to time to keep pace with the changing situation as it relates to requirements and available shipping facilities. These facts should be made clear to the Brazilian authorities if they again imply that United States import control under Order M–63 is designed to exclude "non-essential" imports for other than reasons of a shortage of shipping.

With respect to the possible use of the new control to prevent dumping, this Government does not object to appropriate use of measures designed for this purpose. Antidumping duties are an accepted practice in many countries. However, it appears that the Brazilian authorities may regard as dumping any unusually large importations, or any condition under which United States products undersell similar Brazilian products in the markets of Brazil. In the view of this Government, and in its generally accepted meaning, the term "dumping" is used to signify sales for export at lower prices than those charged buyers in the domestic market at the same time and under like circumstances. Thus, the selling price of products in markets of the United States, compared with prices quoted for export of the same products to Brazil, rather than a comparison of prices of United States products and similar Brazilian products in the Brazilian market, would be the proper basis for the consideration of a charge of dumping. In any event, however, a general system of control, such as that indicated in the Bank of Brazil's new measure, clearly could not be justified as an anti-dumping measure.

The measure which has been adopted by the Bank of Brazil appears to be of a type which readily lends itself to rigid and arbitrary restriction of trade; which makes for uncertainty on the part of exporters in this country (and importers in Brazil) as to the treatment which they may expect; and which requires constant vigilance on the part of foreign governments that their trade may not be subjected to discriminatory treatment by Brazil. . . .

The fact that the Bank of Brazil's instructions to its branches have not been published, and that it apparently desires that they not be publicized in the United States, can only serve to increase apprehension that the measure may be exercised in an arbitrary and discriminatory fashion and to arouse concern among United States exporters and Brazilian importers. The giving of publicity to such measures is not only important in order that traders may know what treatment to expect, but is a safeguard against arbitrary and discriminatory treatment of trade.

With respect to the ultimate paragraph of the Embassy's despatch, the Department is of the opinion, on the basis of the information received to date, that no useful purpose would be served by treating the substance of the measure as confidential. On the contrary, the wholesome effects of publicity in connection with such measures would be defeated, and this government would be neglecting its responsibilities to the United States exporters, were it to treat the substance of the measure as confidential.

It may be added that inquiries received by agencies of this Government from American exporters indicate that the latter were informed of the substance, if not the text, of the measure by Brazilian sources in advance of the Department's receipt of Despatch No. 15534 from the Embassy. It has been noted that the Embassy's airgram No. A–870 of May 13, 1944,[69] transmitting nonconfidential economic news for publication by the Department of Commerce, contains a summary of the control measure.

Very truly yours, For the Secretary of State:
DEAN ACHESON

632.116/7–1344

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

No. 16868 RIO DE JANEIRO, July 13, 1944.
[Received July 20.]

SIR: In compliance with the Department's Instruction Number 6051 of June 19, 1944, I have the honor to report further on the subject.

The new measure is an internal regulation of the Bank of Brazil, instituted at the request of Dr. Gastão Vidigal, Director of the Carteira de Exportação e Importação, possibly upon the recommendation of Minister Sarmanho, of the Brazilian Embassy in Washington. For reasons reported in past correspondence, both of the latter have frequently threatened to create new controls as the restrictions imposed by the Preference Request system were relaxed. As a matter

[69] Not printed.

of fact, shortly before the April 1, 1944, rollback in decentralization, Minister Sarmanho had promoted a proposal that Brazilian Consuls in the United States be prevented from visaing Consular Invoices for shipments from the United States to Brazil unless they carried Minister Sarmanho's approval. The Embassy was successful in heading off serious consideration of that proposal by informal discussions with Brazilian officials here.

To date, the Embassy has knowledge of rejections of only three or four relatively unimportant exchange applications. However, each of these has been reconsidered and approved after verbal protest by the Embassy. At present, there is one pending case involving exchange for the importation of white cement. The Embassy plans to continue its present practice of protesting verbally all rejections coming to its attention. Also, the entire situation will again be discussed in detail with Dr. Vidigal as soon as he returns to his office from a prolonged illness.

The Embassy knows of no concerted action taken by local trade groups with a view to obtaining a rescission of the exchange regulation, nor of any complaints having been filed by them with the Carteira.

Since the measure is an internal regulation within the Bank of Brazil, and because of conditions described above, the Embassy is of the opinion that the subject should continue to be handled in an informal way until Dr. Vidigal returns to his office. The Embassy suggests that the Department impress upon Minister Sarmanho the desirability of rescinding the regulation since he, the Embassy believes, may have been responsible, together with Dr. Vidigal, for the measure.

Respectfully yours, For the Ambassador:
WALTER J. DONNELLY
Counselor of Embassy for Economic Affairs

632.116/8–144

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

No. 17183 RIO DE JANEIRO, August 1, 1944.
[Received August 12.]

SIR: I have the honor to refer to the Embassy's despatch No. 16868 of July 13, and to report that my Economic Counselor discussed the matter a few days ago with Dr. Gastão Vidigal, Director of the Export-Import Department of the Bank of Brazil, who has just returned to his office from a long illness.

Dr. Vidigal told him that it was not the intention of the Bank of Brazil or the Brazilian Government to amplify the controls over the letters of credit for purchases abroad, and that the Bank of Brazil

has denied only one application for a letter of credit for the importation of merchandise from the United States, that product being white cement which the Bank stated was available in adequate quantities in Brazil. He said that the Bank of Brazil has recently denied two applications for letters of credit for the importation of luxury goods from Argentina.

My Economic Counselor reminded Dr. Vidigal of the potential danger of such controls over imports into Brazil from the United States, to which Dr. Vidigal replied that we had no reason to be concerned because he intended to restrict the application of the controls and that ultimately the service would be used only for statistical purposes.

Respectfully yours, For the Ambassador:
WALTER J. DONNELLY
Counselor of Embassy for Economic Affairs

832.24/8–444

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

No. 6383 WASHINGTON, September 15, 1944.

The Secretary of State refers to the Embassy's despatch no. 17237 of August 4, 1944,[69a] entitled "Mexico is receiving better treatment than Brazil in connection with imports from the United States," and to the Embassy's request that it receive a statement of the Department's views on the subject.

It has come to the attention of the Department that in some quarters the establishment of the Mexican-American Commission for Economic Cooperation, and the activities which have taken place under the auspices of the Commission, have been misconstrued as indicating an intention on the part of the United States Government to extend greater aid or cooperation to Mexico than to other American republics. This unfortunate misinterpretation of the purpose and work of the Mexican-American Commission has been discussed a number of times by inter-agency committees in Washington with a view to preventing any further misunderstanding of the purposes of the Commission. Representatives of these agencies, including the Office of the Coordinator of Inter-American Affairs, and the Foreign Economic Administration, have agreed that they should carry on their work in conformity with the principle which the Department has enunciated, i.e., equality of treatment for all the other American republics that are participating with the United Nations in the joint war effort in the allocation of materials and equipment in short supply.

[69a] Not printed.

The Mexican-American Commission was not formed with the idea of extending preferential treatment to Mexico as that would have been in direct conflict with this Government's long-standing and consistent position that the principle of equality of treatment is the basis of all acceptable commercial policy.

This policy of equality of treatment was publicly set forth in the statements made by responsible officials of this Government at the time of the adoption of the Third Resolution of the Consultative Meeting of Ministers of Foreign Affairs of the American Republics held at Rio de Janeiro in 1942.[70] The Resolution, entitled "Maintenance of the Internal Economy of the American Countries" recommended *inter alia* that "all the nations of this continent have access, with the greatest possible degree of equality, to inter-American commerce and to the raw materials which they require for the satisfactory and prosperous development of their respective economies, provided, however, that they shall give preferential treatment to the nations at war for equal access to materials essential to their defense; and that, in agreements which may be concluded, the essential needs of other American countries be considered with a view to preventing dislocations in their domestic economies."

The long-established practice of this Government and the multilateral commitments which the United States and the Mexican Governments have entered into, would preclude this Government taking any action which would grant to Mexico, or to any other of the American republics, members of the United Nations, treatment in the supplying of materials or equipment on any basis other than that of equality of treatment.

The Embassy has recognized that conditions of proximity have, in some instances, made it much less difficult to supply certain requirements to Mexico compared to further distant countries. The application of the policy of equality of treatment presents unusual administrative difficulties, but every effort has been made by the appropriate agencies to proceed in a nondiscriminatory manner in the making of allocations and the granting of export licenses for materials in short supply. This Department has, of course, supported and encouraged the other agencies in their implementation and administration of this policy.

The Embassy is authorized, in its discretion, to refer to this Government's policy in this matter when and if it should be considered desirable to do so.

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[70] For text of the Resolution, 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. 35; for correspondence, see *Foreign Relations*, 1942, vol. v, pp. 6 ff.

632.116/8–144

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

No. 6511 WASHINGTON, October 26, 1944.

SIR: Reference is made to the Department's instruction no. 6051 of June 19, 1944, the Embassy's despatch no. 17171, of August 1, 1944,[71] and related correspondence concerning (1) the measure adopted by the Bank of Brazil in April 1944, which requires that all applications for exchange for the payment of imports be approved by the Carteira de Exportação e Importação, and (2) the more recent measures which subject imports of white cement and raw and washed wool to a system of prior import permits.

With respect to the first of these measures, the Department approves the Embassy's present procedure of making oral representations to the appropriate authorities of the Bank of Brazil as individual cases occur in which the Carteira refuses approval of exchange applications to cover purchases of United States merchandise. In this connection, consideration has been given to the fact that few applications have been refused approval to date, that only one case of refusal of approval has thus far failed of favorable reconsideration, and that the Director of the Carteira has given oral assurances that it is not the intention of the Bank of Brazil or the Brazilian Government to amplify the controls over letters of credit for purchases abroad, that the application of controls will be restricted and that the eventual use of the measure will be for statistical purposes.

The potentially restrictive nature of the measure continues to be a source of concern to the Department, however, and it is hoped that it will eventually be rescinded completely. In this connection, the Embassy should take advantage of appropriate opportunities to keep this Government's views, as expressed in instruction no. 6051 before the appropriate authorities of the Bank of Brazil.

The Department has noted the Embassy's comment in despatch no. 16868 of July 13, 1944 that the control measure is an internal regulation of the Bank of Brazil. The fact that it is an internal regulation of the Bank should not be permitted to lead to the implication that this Government has no direct concern in the matter. It is the Department's view that, as an internal regulation which affects imports of United States origin, this Government has a definite and legitimate interest in the measure, and that representations in connection with aspects of the measure or its operations which are unfavorable to United States commerce are entirely justified.

The Department is concerned to learn from the Embassy's despatch no. 17171, of August 1, 1944 and other recent despatches and reports,

[71] Latter not printed.

that a further control in the form of prior import permit systems has been instituted in the case of certain commodities, viz., raw or washed wool and white cement, aside from the requirement that exchange applications be accompanied by proof that the Carteira de Exportação e Importação is in accord with the importation for which the exchange is to be used. Protection of local industry appears to have been an important motive in the institution of the requirement that prior permits be obtained in the case of imports of these commodities, as well as a similar requirement some months ago with respect to imports of rough and cut synthetic stones.

The Department is concerned not only with the fact that the adoption of these import permit systems runs counter to the liberal trade policies to which this Government is endeavoring to obtain general adherence, but also, that in the case of white cement, a commodity which is included in Schedule I of the Reciprocal Trade Agreement between the United States and Brazil is directly affected.

In the latter connection, the Embassy's despatches no. 17171 and no. 17183, both of August 1, 1944, indicate that, under the measure which requires approval by the Carteira de Exportação e Importação of applications for exchange, an application for exchange for a purchase of white cement from the United States was rejected by the Carteira. Refusal to approve the application appears to have been on the ground that white cement was "available in adequate quantities in Brazil" or that "stocks in Brazil were very heavy". It also appears that the prospective importer has since applied for exchange and an import permit under the new regulation (Aviso no. 72) which subjects this commodity to a prior import permit system, but that no decision with respect to this subsequent application has been reached.

With respect to the measure whereby the Carteira de Exportação e Importação passes on exchange applications, the Department has already pointed out, in its instruction no. 6051, of June 19, 1944, that application of this measure in a restrictive fashion with respect to articles which are included in Schedule I of the reciprocal trade agreement between the United States and Brazil would impair the value of the concessions on these articles. With respect to Aviso no. 72, which subjects white cement to a prior import permit system, it will be recalled that Article II of the agreement [72] contains undertakings not to impose quantitative restrictions or controls on products which appear in the schedules. None of the exceptions to these undertakings, which are set forth in paragraphs one and two of the Article, appears to be applicable in the case of white cement, nor does it appear that refusal to approve an exchange application or to grant an import

[72] Department of State Executive Agreement Series No. 82, or 49 Stat. (pt. 2) 3808 and 3834.

permit for this commodity could be justified by the Brazilian Government as a measure of wartime necessity.

Unless the Embassy perceives serious objection, it should therefore bring to the attention of the appropriate Brazilian authorities the view of the Department that the imposition of an import permit system with respect to white cement, and the refusal of the Carteira de Exportação e Importação to approve an exchange application for this commodity, are contrary to Brazil's undertakings in the trade agreement between the two countries. You may also express the disappointment of this Government that, at a time when every effort should be made to reduce trade barriers, with a view to a mutually necessary and advantageous post-war expansion of international trade, the Government of Brazil has seen fit to adopt restrictive measures which, as evidenced in the case of white cement, adversely affect such trade.

Very truly yours, For the Secretary of State:
DEAN ACHESON

632.006/12–844

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

No. 19088 RIO DE JANEIRO, December 8, 1944.
[Received December 14.]

SIR: I have the honor to attach copy of a memorandum prepared by a member of the Embassy staff concerning the possible issuance of a decree controlling imports into Brazil.

I immediately called this matter to the attention of the Minister of Finance who said the decree had not been signed and that he would discuss it fully with me next week (when he returns from São Paulo). I pointed out to the Minister that the new measure would conflict with the Brazilian-American trade agreement.

Respectfully yours, WALTER J. DONNELLY

[Enclosure]

Memorandum by the Senior Economic Analyst of the Embassy Staff (Davidson) to the Assistant Commercial Attaché (Childs)

RIO DE JANEIRO, December 8, 1944.

Subject: Proposed Decree Controlling Imports into Brazil.

Beyond the information I gave you yesterday concerning the subject decree, I have learned today that this proposition has been approved by President Vargas, was passed back to the Ministry of Fazenda, and has now been returned to the Carteira in order that definite lists of those commodities to be controlled can be drawn up

It is understood that the Carteira intends to include in this list everything appearing under Schedule B and some additional non-specified items. As I suggested yesterday, the probable import of such a plan lies in the complete control over all goods to be imported into Brazil (as this decree, if passed, would necessitate the obtention of permission to place an order in a foreign country rather than the present partial control, where exchange can only effectively be refused on applications for exchange against letters of credit) and the resulting possibility of discrimination is quite evident.

It was further learned that Sarmanho is planning to return to Brazil in the very near future with his plan for the freezing of Brazil's present dollar credit balances further perfected and with full intention of forcing the issue through if possible. Sarmanho's plan, as I understand it, entails the reservation of all present dollar credits for the purchase of certain capital goods which will be essential in the furtherance of Brazil's plans for industrialization. It is understood that normal import business would have free access to all exchange resulting from export negotiations subsequent to the effective date of freezing present credits.

I am told that Souza Costa is not in favor of the above plan put forward by Sarmanho.

632.116/12–1944

The American Embassy in Brazil to the Brazilian Ministry for Foreign Affairs [73]

AIDE-MÉMOIRE

No. 2341

The Embassy of the United States of America presents its compliments to the Ministry of Foreign Affairs and, at the request of the Department of State, has the honor to draw its attention in the attached memorandum to the views of the Department regarding the introduction of trade controls in Brazil affecting the importation of products from the United States and the Reciprocal Trade Agreement between the United States and Brazil.

RIO DE JANEIRO, December 15, 1944.

[Enclosure]

MEMORANDUM

The recently established exchange control measure requires that all exchange applications be accompanied by proof that the Carteira de

[73] Copy transmitted to the Department in despatch 19230, December 19, 1944, from Rio de Janeiro: received December 28.

Exportação e Importação of the Bank of Brazil is in accord with the importation for which the exchange is to be used. The potentially restrictive nature of this measure is a source of concern to the Department of State, which is of the opinion that the regulation described is being put into effect at a time when it would appear rather more essential to give thought to progressive diminution and elimination of controls.

In that respect, it is the policy of the United States Government, in its effort to revitalize and augment international trade in the postwar period, to remove wartime trade controls as soon as they are no longer necessary and to simplify such of those as may remain necessary. The United States Government considers the implementation of that policy important, not only to relieve foreign traders here and abroad from the burden of unnecessary restrictions and formalities, but also as a necessary preliminary step looking toward the relaxation of barriers to trade without which postwar world trade relationships cannot be established on a sound basis.

It is the view of the Government of the United States that exchange control on commercial transactions should be avoided, if possible, for the reason that such control tends to restrict trade. Most countries which have established control of the character described have done so only because of emergency balance-of-payments situations.

Since all exchange applications apparently must carry proof that the Carteira is in accord with the corresponding importations, it follows that the measure in question applies to the commodities included in Schedule I of the Reciprocal Trade Agreement with the United States. If, therefore, the measure should come to be applied to such commodities in a restrictive manner, either through exchange rejections or long delays, this would, of course, impair the value of the concessions on articles in Schedule I of that Agreement. In any case, the measure appears to be contrary to the spirit of the Trade Agreement and its appended notes with respect to exchange control. It also makes for uncertainty on the part of exporters in the United States and importers in Brazil as to the exchange treatment they may expect on successive shipments.

In addition to its views as respects the exchange restrictions discussed above, the Government of the United States is also very greatly concerned over a further control in the form of a general prior import license system. This is understood to be under consideration by the Government of Brazil at the present time as a result of legislation already in effect, under which it has been required that import licenses be procured on various products. Among such products is white cement, a product definitely included in Schedule I of the Brazilian-American Trade Agreement.

The Embassy has been directed to express the disappointment of the Government of the United States that, at a time when every effort should be made to reduce trade barriers, with a view to a mutually necessary and advantageous postwar expansion of international trade, the Government of Brazil has seen fit to adopt restrictive measures which will tend adversely to affect such trade.

632.006/12–2344 : Telegram

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

RIO DE JANEIRO, December 23, 1944—3 p. m.
[Received 5 : 55 p. m.]

4520. Department's instruction No. 6511 of October 26, Embtel No. 4418 of December 12 and despatch No. 19230 of December 19.[74] Velloso [75] today referred to the Embassy's note on the proposed import control law and requested my views on how to solve the problems of (1) providing reasonable protection for certain new industries and (2) of preventing the "dumping" of foreign merchandise in Brazil. I reiterated that the proposed import control law would violate the reciprocal trade agreement, and said that with respect to the other points, I would consult the Department.

He suggested that the two Governments undertake to review the trade agreement with a view to reaching an understanding on amendments to the agreement which might be in the best interests of both countries.

Velloso then requested my opinion as to whether or not the United States cotton subsidy program violated the trade agreement. I told him that I thought it did not because cotton is not specifically included in the agreement, but that in any event I would refer his inquiry to the Department.

DONNELLY

632.006/12–2944 : Telegram

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

RIO DE JANEIRO, December 29, 1944—8 p. m.
[Received December 30—6 : 08 a. m.]

4574. Embassy's 4520, December 23, 3 p. m., and 4418, December 12, 6 p. m.[76] Souza Costa showed me today the import control measure

[74] Telegram 4418 and despatch 19230 not printed.
[75] Pedro Leão Velloso Neto, Brazilian Minister for Foreign Affairs.
[76] Latter not printed.

and told me that he was being urged to put it into effect early in January. He said that it would take the form of a *portaria* (Departmental order); that it had been approved by all Cabinet Ministers; that President Vargas strongly favored it; and that it would be administered by the Carteira de Exportação e Importação of the Bank of Brazil. He remarked that pressure on him from government officials and industrial groups to make it effective at once was very strong and while at my request he had frequently postponed it the situation now was such that he had to act.

The list includes all iron and steel products, machinery, electrical products, chemical and pharmaceutical products and miscellaneous items. The measure provides for the issuance of import permits by the Bank of Brazil and authentication by Brazilian Consuls abroad.

I raised very strong objections to the measure and employed every argument at my disposal including the violation of the trade agreement (Souza Costa countered that since it would be a provisional and war measure, it would not conflict with the trade agreement; I strongly combatted this statement); the fact that it is contrary to the conclusions reached at the Bretton Woods Conference [77] which Souza Costa attended; the resultant increase in the cost of living in Brazil; the tremendous increase in bureaucracy and volume of paper work at a time when the United States is removing controls over exports as evidenced by the sharp roll back in the decentralization procedure; the adverse effect of the measure in the United States; the fact that economic subjects including trade controls would be discussed at the forthcoming conference of the Foreign Ministers; the delays in the importation of merchandise from the United States, et cetera, et cetera.

Souza Costa was impressed with the arguments and said that while he agreed with them it was very difficult for him to delay putting the measure into effect. I advanced other arguments and finally Souza Costa agreed to hold off a while longer.

Although Souza Costa made no reference to the cotton subsidy and our recent decision not to increase coffee price ceilings,[78] he is a shrewd trader and may attempt to use this measure for bargaining purposes. However, the powerful industrial and banking groups in Brazil are behind the measure. They are determined to maintain the gains they have made as a result of the war and fear the dumping of American merchandise in Brazil.

DONNELLY

[77] United Nations Monetary and Financial Conference held at Bretton Woods, New Hampshire, July 1–22, 1944; for correspondence, see vol. II, pp. 106 ff.

[78] For correspondence on the coffee price situation, see pp. 134 ff. and pp. 617 ff.

632.006/12–3044 : Telegram

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

WASHINGTON, December 30, 1944—8 p. m.

3819. Reurtel 4520 December 23, 3 p. m. and reurdes 19230, December 19.[79] The Department approves the Embassy's note of December 15 but the penultimate paragraph, relating to an apparently much more comprehensive and potentially more dangerous proposal than the Carteira exchange approval measure, could have been strengthened by specific reference to paragraph 1 of Article II of the trade agreement and other pertinent paragraphs of that Article with regard to obligations as to quota administration.

Regarding points raised by Velloso:

1. The question of "reasonable protection for new industries" will be the subject of an airmail instruction shortly.
2. The "dumping" of foreign merchandise in any country can be offset by the imposition of anti-dumping duties equivalent to the difference between the usual selling price of the goods in the country of origin and the lower price at which similar goods are offered for export. A recent tendency in several countries, however, is to regard as "dumping" any sales of foreign goods at prices below those at which the goods can be produced within the importing country. You should clarify the views of Velloso on this point.
3. We will be glad to review the trade agreement whenever the Brazilian Government has specific proposals.
4. There is nothing in the trade agreement to prevent the making of export payments on any products (United States cotton), whether or not it is included in either of the schedules, which relate to concessions on the importation, not exportation, of the products listed.

STETTINIUS

[79] Latter not printed; it transmitted the *aide-mémoire* of December 15, p. 668.

CHILE

EFFORTS TO SECURE COOPERATION BETWEEN THE UNITED STATES AND CHILE ON CERTAIN MEASURES FOR HEMISPHERE DEFENSE[1]

825.24/1751

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

[WASHINGTON,] December 30, 1943.

Participants: Rodolfo Michels, the Chilean Ambassador
General Oscar Fuentes, Chief of the Chilean Military Mission in Washington
Commander Raul Gonzalez, Chief of the Chilean Air Force Commission
Mr. Laurence Duggan, PA/LD
Mr. Cecil B. Lyon, RA[2]

After a few brief remarks in regard to the Bolivian situation,[3] the Ambassador said that referring to our previous conversation in regard to lend lease equipment[4] (December 27, 1943) he had brought General Fuentes and Commander Gonzalez to discuss the question of lend lease purchases for Chile. The Ambassador explained that as he was not conversant with the desires of the Army and Air Force he thought it best to let General Fuentes and Commander Gonzalez, the experts in these matters, carry on the conversation.

General Fuentes then took up the conversation and said that arrangements under the original agreement entered into with General Marshall,[5] Chile was to receive some $20,000,000 worth of equipment. However, to date they had received but $3,000,000 worth. In fact the amount which Chile was now receiving was so little that there was really no reason for General Fuentes to be here in this country. He was constantly receiving instructions from the Chilean Ministry of War to obtain more supplies. The supplies received to date the General stated were so few and so inadequate that they did not permit the equipment of even one regiment. This prevented his carrying

[1] Continued from *Foreign Relations*, 1943, vol. v, pp. 811–826.
[2] Division of the American Republics.
[3] For correspondence on the problem of recognizing the new Bolivian junta, see pp. 427 ff.
[4] For correspondence on the negotiation of a lend-lease agreement between the United States and Chile, see *Foreign Relations*, 1941, vol. VI, pp. 571 ff.
[5] Gen. George C. Marshall, Chief of Staff, United States Army.

out his hopes of reorienting the views of the Chilean Army which was accustomed to German equipment. He would like to see it equipped entirely with American material. He had consequently prepared a memorandum of the minimum equipment which Chile needed to take her part in the continental defense. General Fuentes then handed me the attached memorandum [6] of required equipment. He said that it might appear that there was a considerable amount of artillery but this was absolutely essential to defend Chile's long coast. He added that under present circumstances an attack might come at any point. It might be an attack by Japan. "In these days an attack might come from the Atlantic or the Pacific," he said. Chile needed to defend the Straits of Magellan, Antofagasta, Arica, in fact the whole stretch of coast he reiterated. He stated emphatically that the material desired was only to maintain continental defense as Chile wished to fight with no one.

After I had read through the list of Army requirements, Commander Gonzalez took up the conversation. He said that next week 12 Douglas A–24 planes would depart for Chile. It is now the view of the Air Force after having made a thorough study of the subject with the United States Air Mission to Chile [7] that they should limit their requests to the following:

1.) *Training planes.* Chile has not nearly enough training planes in accordance with the 5-year plan which had been worked out when our Air Mission first went to Chile in 1941. They now have many more trained pilots than they have planes for them to use, and it is necessary to receive more pursuit and training planes in order to keep up the excellent work being done by our Air Mission. Commander Gonzalez said that he realized that our Army's needs must be taken care of first but he did hope that Chile could get more training planes. Commander Gonzalez said that the Lend Lease Administration had informed him that 12 Curtis P–40's which had been assigned to Chile had been cancelled and he hoped that instead of these Curtis planes, pursuit and training planes might be provided.

2.) *Bases.* One of the most important phases in Chile's defense program was to build several air bases with adequate fields for large landing forces. The Army and the public realized that this was necessary and he had received instructions from the Commander in Chief of the Army [8] to initiate discussions along these lines. Naturally, these air fields would not be anything elaborate but must be adequate for landing large numbers of planes. He mentioned the Straits of Magellan and Antofagasta as possible locales. Obviously certain equipment will be needed for these fields.

3.) *National Air Line.* The Chilean National Air Line has recently received four Lockheeds. However, these are not sufficient to handle all the traffic and they very much need two more Lockheeds. Commander Gonzalez is in charge of the National Air Line matters

[6] Not printed.

[7] For the agreement, dated April 23, 1940, establishing the mission, see Department of State Executive Agreement Series No. 169, or 54 Stat. (pt. 2) 2282.

[8] Maj. Gen. Arturo Espinosa Mújica.

in this country and is authorized by the Chilean Government to negotiate for the new planes.

4.) *Amateur Flying Clubs.* The Amateur Flying Clubs have funds (about $50,000) which were collected in a public collection, with which they hope to be permitted to purchase some planes. Our Air Mission is in favor of this project, realizing that it is the best way to make Chile air-minded and to train prospective Army pilots.

5.) *Gasoline.* With the additional planes Chile will require more gasoline and Commander Gonzalez hopes that we will be able to arrange this.

I assured the Ambassador, General Fuentes, and Commander Gonzalez that we would go into this matter very carefully and take it up with the appropriate authorities. I said that I did not know what their views with regard to these matters were at the present but that we would do whatever possible in regard to the Chilean request.

LAURENCE DUGGAN

825.24/1751

Memorandum by the Liaison Officer With the War and Navy Departments (Wilson) to the Adviser on Political Relations (Duggan)

[WASHINGTON,] January 8, 1944.

In 1943 three Catalinas (PBY–5's) were delivered to Chile.

Admiral Spears [9] informs me that these planes are all which Chile can handle with its existing facilities (hangar and ground crews et cetera). Even at Quintero [10] the conditions for these planes are not ideal. With reference to President Rios' comments concerning the necessity of more PBY's for patrolling the coast and the Straits of Magellan, the Admiral states that it would be impossible to operate PBY–5's in these regions owing to rough water and lack of supplies and other facilities. Land based planes are now used to patrol the region of the Straits.

I asked the Admiral whether any further deliveries of these planes were contemplated in the future. He answered that the Chileans had made a request for six. The Navy feels, however, that this request cannot be granted owing to the inability of the Chileans to supply the necessary personnel and other facilities. He expressed the view that the Munitions Assignments Committee would turn down such a request if submitted to it.

Mr. Walstrom [11] tells me that the Chileans have submitted no request to the Munitions Assignments Committee (Air) for the additional six PBY–5's.

ORME WILSON

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[9] Rear Adm. William O. Spears, Senior Member, Joint Army and Navy Advisory Board on the American Republics.

[10] Airport to the north of Valparaíso.

[11] Joe D. Walstrom, Assistant Chief, Division of International Communications.

825.24/1748

Memorandum by the Liaison Officer With the War and Navy Departments (Wilson) to the Adviser on Political Relations (Duggan)

[WASHINGTON,] January 12, 1944.

I have consulted Colonel Hertford [14] and Colonel Johnston [15] concerning the ground material requested by the Chileans, and various officers in the Army Air Forces in regard to the desired increase in the Chilean aviation equipment.

Colonel Hertford told me that, towards the end of December, General Fuentes obtained an interview with General McNarney [16] to whom he gave the list of ground equipment which was handed to you. General McNarney sent it to Colonel Hertford who passed it on to Colonel Johnston for comment. In reply to my inquiry Colonel Hertford told me that the War Department would take no action on this list without consulting the Department. In his opinion the material desired by the Chilean Government has no bearing whatever on the present war except for the possibility that it might prevent Chile from aligning itself with Argentina. He felt that if Chile should receive any of this armament it would be necessary to consider the advisability of allotting similar quantities to Peru and Ecuador in order to prevent ill feeling and rivalry.

Colonel Johnston informed me that General McNarney and he had written letters of acknowledgment to General Fuentes. Excerpts from Colonel Johnston's letter are attached.[17] It seems clear that at least some of the equipment listed in General Fuentes' request has already been included in earlier lists. This is indicated by the statements in the first paragraph of the excerpts from Colonel Johnston's letter. With reference to other portions of this request, you will observe that Colonel Johnston states that strategic requirements prevent consideration of these items for the present. This is in line with statements which have been made to representatives of other Latin American countries.

The list of planes requested by the Chileans for delivery in 1944 has been sent to the Army Air Forces. I have ascertained that the list of planes requested by the Chileans for delivery in 1944 is the same as that contained in Colonel Niergarth's memorandum of September 30.[18] Colonel Loutzenheiser, of the Operations Planning Divi-

[14] Kenner F. Hertford of the Caribbean-Latin American Section, Operations Division, War Department.

[15] Col. Winant P. Johnston, Director, International Division, Army Service Forces, War Department.

[16] Lt. Gen. Joseph T. McNarney, Deputy Chief of Staff, United States Army.

[17] Not printed.

[18] Col. Omer O. Niergarth, Chief of the United States Military Aviation Mission in Chile; the memorandum (not printed) apparently was produced jointly by personnel of the Chilean Air Force and the American Military Aviation Mission and presented to the War Department on December 24, 1943.

sion, Army Air Forces, tells me that his division will recommend to the Munitions Assignments Committee that Chile be granted only the 106 training planes and none of the 41 combat and service craft. The reason for this decision is that Chile is not a belligerent and the need for combat and service planes is great elsewhere. This recommendation will be submitted on Tuesday next, January 18, to the sub-committee of the Munitions Assignments Committee (Air) which will ascertain whether the training planes requested by Chile are available.

Therefore, if for reasons of policy it appears desirable to the Department to permit the Chileans to obtain combat or service aircraft such as the Catalinas (PBY–5's) mentioned by Ambassador Bowers, I think such views should be submitted to General Jamison, Chief of the Munitions Assignments Committee (Air). Our answer to Mr. Bowers' cable of December 30 [19] will be governed by this.

ORME WILSON

825.24/1750

Memorandum of Conversation, by the Liaison Officer With the War and Navy Departments (Wilson)

[WASHINGTON,] January 14, 1944.

Participants: Admiral Spears
Colonel Hertford
Colonel Doyle [20]
Mr. Bonsal—RA [21]
Mr. Wilson—U–L
Mr. Key—U–L [22]

It was explained to Admiral Spears and to Colonel Hertford and Colonel Doyle that the Secretary felt that the situation that has arisen in Argentina might have extremely harmful effects in Uruguay and in Chile resulting possibly in a change in the governments of those countries which are friendly to us and should therefore be supported. It appeared that a satisfactory way to accomplish this would be to expedite shipments of lend-lease equipment for which commitments had already been entered into by the War and Navy Departments. It would not, however, be necessary to increase the total amounts allocated to those countries in the respective Lend-Lease Agreements.

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[19] Not printed.
[20] Col. R. A. Doyle, Office of the Assistant Chief of Staff, Operations Division, War Department.
[21] Philip W. Bonsal, Chief, Division of the American Republics.
[22] David M. Key, Acting Liaison Officer.

Uruguay is in a particularly difficult position owing to its proximity to Argentina and its military weakness. The Uruguayan Ambassador [23] has made frequent calls at the Department in order to explain his country's position.

Admiral Spears said that naval material, consisting apparently of equipment for naval arsenals and replacement parts for Chilean war vessels, is going forward steadily to Chile and that the Chilean naval authorities appear to be satisfied. With reference to Uruguay the patrol vessel requested by that Government is ready for delivery as soon as the crew can be sent to Miami for training. He indicated, moreover, that it would not be feasible to speed up delivery of naval equipment to these countries as it is the Navy Department's practice to give naval matériel destined for the other American Republics the same high priority accorded to equipment required by our own Navy.

Colonel Hertford expressed the opinion that the Department's suggestion did not go far enough. Proper assistance to the two countries in question and possibly to Peru and Ecuador did not consist in sending small quantities of lend-lease material, or of speeding up their delivery in order to meet sudden emergencies. Aside from the fact that it was difficult if not almost impossible to arrange for spot shipments of arms (usually about six months are required in order to make a delivery), it is well known in Argentine military circles that the Uruguayans and to a lesser extent the Chileans would not know how to maintain and operate equipment such as tanks, military planes and other paraphernalia of modern war even if the latter were made immediately available. He advocated the prompt resumption of staff conversations [24] to be conducted by high-ranking officials such as a General and an Admiral which would explore the larger questions of defense and endeavor to set up a long-range plan and policy to govern arms shipments to these and other American Republics. This could include the construction of airfields at strategic spots. In return for this the War Department would require a suitable *quid pro quo* in the form, for instance, of military missions which would train the troops of the respective countries in the proper handling and upkeep of the equipment which shall be sent to them. The amount and character of this equipment would be specified by the War Department and not be left to the whims and fancies of the respective republics or be subject to constant variations owing to changing political factors, although, of course, they would be consulted before the programs would be compiled. Such conversations, he felt, would

[23] Juan Carlos Blanco.

[24] For correspondence on the resumption of staff conversations, see pp. 105 ff.

cause the Argentine Military to take notice far more than would sporadic shipments of military matériel.

Mr. Bonsal pointed out to Colonel Hertford that it would be extremely desirable to receive a communication on this subject from the War Department at the earliest moment preferably on Saturday.

825.24/1759

Memorandum by Mr. Richard P. Butrick, Foreign Service Officer, to the Director of the Office of American Republic Affairs (Duggan)

[WASHINGTON,] February 9, 1944.

MR. DUGGAN: General Escudero, who is the Minister of Defense as well as the General in Command of the Army, spoke to me at length prior to my departure from Chile [25] in regard to obtaining additional equipment for the Chilean Army under the United States $50,000,000 Lend-Lease credit.

He is very anxious to obtain some additional equipment as soon as possible, but is thoroughly reasonable about the whole matter, realizing that many of the items which he desires are not available for export to Chile at the present time. Nevertheless, he asked that if at all possible, I assist him in obtaining some additional equipment, which I promised to do.

Although not mentioned in the letter, General Escudero told me that the equipment of the Argentine Army in effective value was five times that of the Chilean Army, and he is anxious to bring the Chilean Army's equipment to a better standard as soon as possible. He informed me that Chile is in no sense aggressive, but that it does desire to be prepared to repel outside attacks and maintain internal order in a country difficult to defend and to control because of its peculiar geography.

It is my feeling that if at all possible we should complete the delivery to Chile of the 30-calibre machine guns which the General desires, of the 90 mm. anti-aircraft guns, and while it is not absolutely necessary, I think it would be a wise move on our part to deliver, say, 100,000 rifles and a corresponding quota of Garand rifles in order that the conversion of the Chilean Army to American equipment may be begun. It is my understanding that small arms are now available, and it would seem advisable to have an entering wedge in Chile for the commercial sale of further armament of the American type and

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[25] Mr. Butrick was Counselor of Embassy for Economic Affairs in Chile prior to his assignment to the Department December 4, 1943.

perhaps arsenal equipment for the manufacture of American type armament. Granting Chile certain amounts of American equipment under Lend-Lease would form the entering wedge.

My personal feeling from official contacts with General Escudero over a period of several months is that he is thoroughly pro-Ally, reasonable and reliable, and anything we can do to make his position in Chile firmer, I believe would redound to our own benefit.

RICHARD P. BUTRICK

825.24/1734

The Acting Chief, Division of West Coast Affairs (Lyon), to the Counselor of Embassy in Chile (Heath)

WASHINGTON, March 3, 1944.

DEAR DON: I note that in a recent despatch (no. 8815 of February 5, 1944)[26] comment was requested on our policy with reference to Lend-Lease supplies to Chile. At the present time the entire Lend-Lease program for the other American Republics is under review[27] in an effort to work out a comprehensive and uniform policy both for the immediate future and the post-war period, and an instruction dealing with this matter will, I suppose, eventually be sent to the field.

In the meantime, the following information may prove useful to you as background in case Chilean officials again broach the subject of Lend-Lease supplies for Chile.

The basic factor governing the furnishing of Lend-Lease matériel is, of course, what Chile needs in the light of hemispheric defense.

The President, having found the defense of this hemisphere vital to our national defense, a Lend-Lease agreement was concluded with Chile on March 2, 1943[28] and on the basis of this agreement and of Chilean needs as determined by staff conversations and the best available estimates of enemy capabilities, a credit was set up for the acquirement by Chile of necessary military and naval matériel from the United States.

In practice, a number of factors have determined the supply of Lend-Lease matériel. Among these may be mentioned the availability of matériel, Chilean capacity to make use of the matériel supplied and the estimated extent of the enemy menace. In this connection, there should also be borne in mind the special situation which obtained at the time Chile was reluctant to sever relations with the Axis.

The policy governing the supply of Lend-Lease matériel to Chile is the same as that applied to the other American Republics which have severed relations with the Axis and with which Lend-Lease

[26] Not printed.

[27] See pp. 87 ff.

[28] Not printed; for a brief summary of the agreement, see bracketed note, *Foreign Relations*, 1943, vol. v, pp. 816–817.

agreements have been concluded. In the case of those countries which have declared war on the Axis and which are actively engaged in or soon to be engaged in hostilities, such as Brazil and Mexico, the policy is to furnish quantities and types of matériel appropriate to those activities.

The quantity of matériel already supplied to Chile compares very favorably with the amounts supplied to other American republics which have broken relations but not declared war.

With best regards, CECIL

825.24/1813

Memorandum of Conversation, by the Acting Chief of the Division of West Coast Affairs (Lyon)

[WASHINGTON,] April 11, 1944.

Colonel Johnson [29] called this morning to say goodbye before returning to Santiago. Before leaving Washington he is to visit Fort Benning and other military establishments in the United States and expects to get back to Santiago about May 15. He said that he has been pressing with the War Department, Admiral Spears, etc., the project of obtaining more equipment for the Chilean Army.

Colonel Johnson said that just before he left, General Oscar Escudero begged him to help in this matter and he (Colonel Johnson) really feels that it is essential we keep a steady, if not voluminous, flow of Lend-Lease material to Chile. He has seen Colonel K. F. Hertford of the Latin American Theatre of Operations Division and urged upon him the necessity of this, and he may see General Marshall today and if he does, will bring this matter to his attention.

The Chilean plan is to eventually re-equip the whole Chilean Army with American equipment. They realize that this is impossible for the present, however, and are now aiming at the equipment of two divisions, the first and second (the First is stationed at Antofagasta and covers the north of Chile; the Second is stationed at Santiago and covers Santiago and the central part of Chile). This represents approximately one-half of the Chilean Army. For it, they hope to obtain artillery equipment (they are quite well off in respect to trucks and motorized equipment), machine guns and rifles. They are in particular need of light machine guns.

Colonel Johnson says that the Chilean Army, after using our material, finds it so superior to other equipment that it is all in favor of it. . . .

C[ECIL] B. L[YON]

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[29] Col. Wendell G. Johnson, Military Attaché of the Embassy in Chile.

825.24/1874a

The Secretary of State to the Chilean Ambassador (Michels)

WASHINGTON, June 16, 1944.

EXCELLENCY: I have the honor to refer to the Department's Note of December 27, 1943 [32] concerning the presentation of schedules and accounts of deliveries of, and payment for, defense articles made available to the Chilean Government under the terms of the Agreement on the Principles of Mutual Aid Applicable to the Common Defense of the American Continent signed on March 2, 1943 by representatives of the United States of America and of the Republic of Chile.

In this connection there are enclosed two copies of a statement prepared by the Foreign Economic Administration [32] regarding the materials and equipment transferred to the Government of Chile up to the date of March 31, 1944. It is noted that the total amount of the items listed is $12,305,618.46. In addition to the copies of the statement mentioned, there are enclosed four copies of detailed schedules and lists [32] of supplies and equipment arranged under the headings of the respective divisions of the agencies through which the materials were obtained.

The Department will submit at a later date a supplementary statement which will include such additional items as may be delivered to the Government of Chile subsequent to March 31, 1944 and which do not appear in the enclosed statement.

I should be pleased if Your Excellency would be so kind as to transmit copies of the enclosed schedules and accounts to the appropriate officials of the Chilean Government to the end that steps could be taken to effect the payments to this Government in the amounts and in the manner prescribed in the second numbered paragraph of the Notes exchanged on March 2, 1943, which accompanied the Agreement to which reference has been made.

It would be appreciated if payment could now be made in the amount of $2,500,000 which fell due on January 1, 1944, in the form of a check drawn to the order of the Treasurer of the United States of America, which could be sent to this Department for appropriate disposition.

For reasons of military security, I trust that the schedules and accounts which are enclosed herewith will be treated by Your Excellency's Government on a most confidential basis.

Accept [etc.] For the Secretary of State:
DEAN ACHESON

[32] Not printed.

825.24/7–2044

Memorandum of Conversation, by the Secretary of State

[Extract]

[WASHINGTON,] July 20, 1944.

Participants: Sr. Enrique Gajardo, Chilean Chargé d'Affaires
Sr. Mario Rodriguez, Counselor of Chilean Embassy
Secretary of State Hull
(Mr. Lyon, Acting Chief of WCA, present)

. . . . . .

(4) Sr. Gajardo expressed on behalf of his Government appreciation for the Lend-Lease equipment which we had in the past supplied to Chile and left with me the attached memorandum,[33] indicating that the Chilean Government wishes to build a network of airfields from the extreme north to the extreme south of Chile. He explained that Chile's present airfields are totally inadequate for large modern aircraft and that the Chilean Government feels that these airfields are necessary from the point of view of hemispheric defense and might one day be used by the airplanes of the United States. I told Sr. Gajardo that I would be glad to have the appropriate officials of this Government study the question. He said that if these officials were favorably impressed, he would be glad to bring his experts to talk the matter over with them.

(5) Sr. Gajardo also left with me the attached memorandum [33] concerning the desire of the Chilean Government to obtain 15 Douglas airplanes for the Chilean National Air Line. I explained to Sr. Gajardo that I did not know whether these planes were available at the present time but if they were not, I would have the appropriate officials follow the question with a view to giving it all consideration when the planes became available.

. . . . . .

825.248/7–2044

Memorandum by Mr. Francis G. Jarvis of the Aviation Division

[WASHINGTON,] August 2, 1944.

As you are aware, compliance with the Chilean request for 15 DC–3s [34] is impossible at this time. The Army has been able to return but 80 of the 157 transport aircraft acquired from the domestic airlines. Until such time as the balance shall have been returned, the Department cannot attempt to make a case for foreign operators who desire to expand present operations.

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[33] Not printed.
[34] See *supra*.

LAN [35] is doubtless planning an international operation which will compete with Panagra.[36] I believe Panagra has requested the Department to use its good offices with the appropriate authorities in order that additional equipment might be obtained.

The Panagra request will likely be refused even though a record of priority carriage can be established.

AD [37] should ask Comandante Gonzalez to come in for a discussion and we can acquaint him with the present difficult situation, assure him we will bear the Chilean request in mind and that we will advise him immediately when DC–3 aircraft become surplus or excess to military requirements.

825.24/9–544

Memorandum by Mr. Stuart W. Rockwell, Division of North and West Coast Affairs

[WASHINGTON,] September 5, 1944.

There follow below the War Department's figures on major items delivered to Chile under Lend-Lease as of June 30, 1944:

Planes	
Attack planes	12
Training planes	123
Liaison planes	30
Light tanks	30
Scout cars	50
Half tracks	10
Trucks	385
Ambulances	7
Motorcycles	10
Guns	
37 MM	130
Howitzer—105 MM	36
Mortar—81 MM	134
Anti-aircraft—37 MM	24
Anti-aircraft—3 inch	8
Machine guns—50 caliber	36
Machine guns—30 caliber	42
Sub-machine guns—45 caliber	50

The dollar value of material Lend-Leased to Chile as of March 31, 1944 is $5,670,455.82.[38] Chile has a Lend-Lease credit of $50,000,000.

S[TUART] W. R[OCKWELL]

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[35] Línea Aérea Nacional.
[36] Pan American Grace Airways.
[37] Aviation Division.
[38] Presumably this figure covers only the listed items and does not include such things as repair parts, naval materials, quartermasters' provisions, etc., nor does it appear to include allocated items which may have been in transit or in storage.

825.24/9–644

Memorandum by the Acting Chief of the Division of North and West Coast Affairs (Lyon) to the Acting Director of the Office of American Republic Affairs (Armour)

[WASHINGTON,] September 6, 1944.

The underlying memorandum [39] indicates that Chile has received in equipment about one-tenth of the Lend-Lease credit extended to her (approximately $5,500,000 out of $50,000,000). I recommend that we agree with Colonel Meals' [40] suggestion and let Chile have a little material now. I think this will be beneficial from the point of view of:

(*a*) Chilean-United States-Argentine relations.

(*b*) Keeping Chile satisfied until the Staff conferences are held. The government (Chilean) officials will thus not be taken in by the arguments which undoubtedly will be raised that Chile has been completely deserted by the United States and should throw in her lot with Argentina.

C[ECIL] B. L[YON]

825.248/9–2544

The Secretary of War (Stimson) to the Secretary of State

WASHINGTON, September 25, 1944.

DEAR MR. SECRETARY: I refer to a memorandum dated August 7, 1944 [41] from the Department of State to the Assistant Chief of Staff, Operations Division, War Department General Staff, subject: "Interest of Chilean Government in Constructing a Network of Airfields in Chile", inclosing a memorandum [41] submitted to you by the Chilean Air Force Commission.

The Joint Chiefs of Staff have decided that there is no necessity for the development of military air bases in Chile at this time. Therefore, I consider that the only direct military interest which the War Department has in the above project lies in obtaining from Chile the right for military aircraft to fly into, through and away from that country.

The potential value of commercial aviation to any future military effort is of course recognized, and to that extent the War Department is interested in the development of commercial bases, both foreign and domestic. However, since the matter of obtaining operating and other rights for international commercial airline expansion, as certificated

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[39] *Supra.*

[40] Lt. Col. Robert W. Meals, American Theater Section, Operations Division, War Department.

[41] Not printed.

by the Civil Aeronautics Board, is one in which your Department exercises primary interest, I suggest that the construction of airfields in Chile be approached from the commercial airline standpoint rather than from any military requirement.

Sincerely yours, HENRY L. STIMSON

810.20 Defense/9–144 : Telegram

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

WASHINGTON, October 2, 1944—6 p. m.

1045. ReEmbs 1457 [*1437*], September 1.[42] Department is informed by Navy and War Departments that October 9 is satisfactory date to Commander, Panama Sea Frontier,[43] and to General Brett[44] for initiating staff conversations with Chile. Please ascertain from Chilean Government whether this date is satisfactory and if so make appropriate advance arrangements. On receipt of your telegraphic reply officers will be assigned by War and Navy Departments to begin the conversations.

HULL

810.20 Defense/10–444 : Telegram

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

WASHINGTON, October 6, 1944—4 p. m.

1058. ReEmbs 1585 October 4, noon.[45] Difficulty which has suddenly developed here necessitates postponement of staff talks. War and Navy Departments have informed General Brett and Captain Stone.

Please convey Department's regrets to Fernández,[46] explaining that delay is only temporary.

Your instructions will be sent as soon as possible. In the meantime you may wish to ask Military or Naval Attaché to show you copy of basic mimeographed instructions[47] for officers holding staff conversations.

HULL

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[42] Not printed; it indicated Chile's acceptance of staff conversations (810.20-Defense /9–144).

[43] Capt. Ellis S. Stone.

[44] Lt. Gen. George H. Brett, Commanding General, Caribbean Defense Command.

[45] Not printed.

[46] Joaquin Fernández Fernández, Chilean Minister for Foreign Affairs.

[47] For text of instructions, see p. 106.

825.248/9–2544

The Secretary of State to the Secretary of Commerce (Jones)

WASHINGTON, October 11, 1944.

MY DEAR MR. SECRETARY: There is enclosed a copy of memorandum entitled "Proposed Network of Airdromes in the Republic of Chile" [48] which was presented to the Department by a representative of the Chilean Air Force Commission. The Department is informed by the War Department that it has no direct interest in this project and feels that the construction of airfields in Chile should be approached from the commercial airline standpoint rather than from any military requirement.

The Department is of the opinion that the development of these airfields in Chile would be advantageous and would like to make available to the Chilean Government such technical assistance as it may be possible to provide. Before communicating with the Chilean Government, it is desired to obtain from you an indication of the extent to which the Civil Aeronautics Administration would be prepared to provide such technical assistance.

Sincerely yours, For the Secretary of State:
ADOLF A. BERLE, JR.

825.24/9–2044

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

No. 4422 WASHINGTON, October 14, 1944.

The Secretary of State transmits for the Embassy's confidential information and files a copy of the Department's note of even date sent to the Chilean Embassy in Washington together with a copy of a statement [49] prepared by the Foreign Economic Administration showing charges made during the period from April 1, 1944 through July 31, 1944 for articles transferred under Lend-Lease Agreement to the Government of Chile.

The lend-lease reimbursement payment of $2,500,000 requested in the Department's note to the Chilean Embassy dated June 16, 1944 has not yet been received (Department's secret instruction no. 4373 dated August 30, 1944 [50]).

It will be noted that the total charges made through July 31, 1944 for all lend-lease articles transferred to the Government of Chile aggregate the grand total of $15,627,316.39. Of this grand total the

[48] Not printed.
[49] Neither printed.
[50] Instruction No. 4373 not printed.

sum of $4,688,000 represents the appropriate percentage of reimbursement (i.e. thirty percent under the provisions of the Agreement) due from the Government of Chile. This amount includes the sum of $2,500,000 which became due on January 1, 1944.

The officer in charge is requested to make discreet inquiries of the appropriate officials of the Chilean Government concerning the payment of this amount due. It would be appreciated if the payment of this balance due could now be made in the form of a check drawn to the order of the "Treasurer of the United States, for the Account of the Foreign Economic Administration", instead of to the "Treasurer of the United States of America" as was indicated in enclosure number two to the Department's secret instruction under reference.

825.248/11–1344

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

No. 11094 SANTIAGO, November 13, 1944.
[Received December 5.]

SIR: I have the honor to refer to my strictly confidential telegram No. 1712 of October 30, 5: 00 p. m.[51] and to enclose the text and translation of a confidential note, No. 51 of October 27, 1944,[51] from the Undersecretary of Foreign Affairs[52] proposing that the understandings reached in conversations which have taken place in Santiago between the Military Air Attaché of this Embassy and the Ministry of Defense be reduced to concrete form as regards the technical advice and equipment which can be furnished by the War Department of the United States for the improvement of airfields in Chile. In this connection reference is made to the confidential memorandum of a conversation[53] on the subject, "Chilean Aviation Matters" which took place in the Department on August 18, 1944.

As an indication of the subjects covered in the Santiago conversations, there is enclosed a copy of a memorandum[53] to me from Col. Daniel E. Ellis, Military Air Attaché of this Embassy, dated August 30, 1944. It will be noted that Col. Ellis' memorandum stresses the assistance which might be rendered by U. S. Army Air Forces technical personnel in recommending construction of new landing fields and the improvement of the existing ones which can be carried out with Chilean equipment and resources without the necessity of furnishing construction machinery but with a recommendation for providing lighting, radio, and weather reporting apparatus and equipment.

[51] Not printed.
[52] Claudio Ariaga.
[53] Memorandum not printed.

This recommendation is based upon the belief that satisfactory sites for new airfields can be so selected and existing airfields can be so redesigned as to enable the meeting of minimum requirements with respect to size, surface, drainage, etc., using machinery which is already at the disposal of the Chilean Government. Aids to aerial navigation and weather reporting and recording apparatus, however, are not obtainable in Chile and could not be acquired in a reasonable time without assistance.

It is unnecessary to stress the importance, from the military viewpoint, of a network of airfields throughout the length of Chile assuring access to the Cape Horn region and adjacent waters by military aircraft in case of a threat by hostile forces. Almost equally important, from the viewpoint of commercial air communications, is the fact that lighted landing fields and radio beacons would permit considerable lengthening of the flying day, now limited to daylight hours.

As the project is presented in the enclosed memorandum, it seems to offer considerable benefits with a very reasonable outlay on the part of the two Governments, with the advantage that once a survey has been completed and recommendations have been made, the work can then proceed at whatever pace the Government of Chile may find it practicable to set.

It appears that what is now being sought is a general written understanding as to the character of the technical assistance desired and the method of providing it, which would serve as a basis and point of reference for initiating the project, the operating details to be arranged through direct contact between the War Department's representatives in Santiago and the Chilean Military Authorities. Reference is made to my Despatch No. 9740 of May 16, 1944 [54] outlining the steps taken in arriving at an understanding as to the aerial photographic charting of Chilean territory to be carried out by USAAF personnel and aircraft. In that case, an exchange of notes between the Ambassador and the Minister of Foreign Affairs established the general lines of the project, which were later filled in, and even modified, by agreement between the War Department's representatives in Santiago and the Chilean Ministry of National Defense. This method might be followed in the present instance, if the War Department considers it appropriate.

I shall await the Department's specific instructions before taking any steps in this matter beyond an acknowledgment of the Foreign Undersecretary's letter.

Respectfully yours, CLAUDE G. BOWERS

[54] Not printed.

825.30 Missions/11-2344 : Telegram

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

SANTIAGO, November 23, 1944—2 p. m.
[Received 5 : 58 p. m.]

1824. I strongly recommend that any official request by the Chilean Government through diplomatic channels for the establishment of a United States naval mission in Chile, if made, be approved by the Department and that the actual establishment of a Naval Mission be expedited in every way possible. Since Naval Attaché [55] is under instructions from Navy Department not to take the initiative in this matter, no action will be taken by Embassy until instructions are received from Department (Reference Navy Department's confidential serial 015417, July 1 this year [56]). However the Naval Attaché was recently informed unofficially by two Chilean Navy Captains that Chilean Navy anticipated requesting such a mission in the near future in response to which Capitan Rockwell intimated that matter would be given every consideration in Washington if the request were made (see Naval Attaché serial 0941 to Chief Naval Operations dated November 15 [56]). In Rockwell's opinion Admiral Merino, Commander-in-Chief of Chilean Navy, may shortly bring up question officially.

BOWERS

825.30 Missions/12-544 : Telegram

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

SANTIAGO, December 5, 1944—9 p. m.
[Received 10 : 59 p. m.]

1889. My 1824, November 23, 2 p. m. Returning late last night from the Foreign Office to his hotel, Fernández met Brooks [57] in lobby and in conversation with him volunteered the information that he had again rejected Great Britain's overtures to accept a British Naval Mission to work with Chilean Navy. The Minister said he was opposed to such mission but that he wanted and would approve a United States Naval Mission. He said that since Chile and the United States are the predominant naval powers on Pacific, their navies could collaborate in protection of coast of American continents. Since he favors making available to us a large naval base in the Straits of Magellan and it would therefore be undesirable to have a British Mission in Chile, my own opinion and that of our Attaché

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[55] Comdr. Joseph P. Rockwell.
[56] Not found in Department files.
[57] Clarence C. Brooks, First Secretary of Embassy.

is that we should offer such a mission and that we will make a mistake if we do not. Wright [58] concurs a mission should be sent.

BOWERS

825.30 Missions/12–1544 : Telegram

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

SANTIAGO, December 15, 1944—9 p. m.
[Received 11 : 10 p. m.]

1930. Fernández expresses greatest satisfaction over our willingness to send a naval mission to Chile and the President expresses satisfaction with the proposal to send first a Rear Admiral here to make a survey to determine amount of personnel, et cetera. A formal request for the mission will be conveyed to the Department by Ambassador Mora.

BOWERS

SUGGESTION BY THE UNITED STATES THAT CHILE ENTER THE WAR AGAINST THE AXIS [59]

710 Consultation 4/12–544 : Telegram

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

SANTIAGO, December 5, 1944—8 p. m.
[Received 10 : 52 p. m.]

1888. For Armour.[60] After discussion with Wright,[58] saw Fernández [61] at his hotel this afternoon. He was clearly startled and immediately asked what reason could be given to Senate and public for this action when nothing was done along this line more than a year ago when there was a good reason.[62] He made clear also his inability to understand how countries like Bolivia with no semblance of democracy and with little internal order could sit in,[63] and Chile be excluded. He said he would see the President [64] tomorrow but said under the democratic institutions of Chile, the executive cannot act without senatorial approval and that the Senate in full secret session would have to be informed and its approval asked. He said he could

[58] James H. Wright, Assistant to the Director, Office of American Republic Affairs, on mission to Chile.

[59] For related correspondence, see *Foreign Relations*, 1943, vol. v, pp. 795 ff.

[60] Norman Armour, Acting Director, Office of American Republic Affairs.

[61] Joaquín Fernández Fernández, Chilean Minister for Foreign Affairs.

[62] The action referred to here was a proposal that Chile take the lead among those American nations not formally at war in recognizing the existence of a state of war with the Axis.

[63] The proposed United Nations; for correspondence on the entry of Bolivia into the war, see *Foreign Relations*, 1943, vol. v, pp. 543 ff.

[64] Juan Antonio Ríos Morales.

and would talk confidentially with some senators but made no secret of his conviction that Alessandri [66] now in Senate would pounce upon proposal demanding to know why this action is proposed at this time with nothing new on which to act. He was sure also that enemies of the regime would play politics and insist that President made proposal with view to getting certain powers for control of press. I found him in general very much distressed. The President is leaving for Viña del Mar on Friday morning for the weekend and Fernández said no definite decision could reasonably be reached before Monday. However, I shall be in Viña in connection with General Dunham's [67] mission Friday and Saturday and Fernández will let me know if anything is decided there. Wright will remain here at least through December 11.

BOWERS

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710 Consultation (4)/12–544 : Telegram

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

WASHINGTON, December 7, 1944—7 p. m.

1217. ReEmb's 1888, December 5, 8 p. m. When you see Fernández at Viña del Mar, please take pains to emphasize to him that this Government does not wish him to misunderstand our reasons for bringing this matter to his attention. We are not doing so for any selfish motives of our own. It was merely that we felt it incumbent upon us as the good friend of Chile to inform him of recent important developments affecting the interests of the Republic of Chile. Obviously the question of whether or not Chile should take any action in the premises is one solely and entirely for the determination of the Chilean authorities.

We shall, of course, continue to take the position that the contributions of Chile to the war effort entitle her to a seat in conferences on post-war matters.

Please convey to Fernández our view that this subject is a most delicate one, and suggest to him that, while you recognize that under Chile's democratic institutions the declaration of a state of war would have to be approved by the Senate, you believe that it would be advisable to limit discussions of this question to the smallest possible group until he has given it the most careful consideration in all its aspects.

You should in any case endeavor to dissuade Fernández from discussing the subject outside a limited group until after Wright's departure.

STETTINIUS

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[66] Arturo Alessandri Palma, former President of Chile.

[67] Gen. George C. Dunham of the Health and Sanitation Division, Institute of Inter-American Affairs.

710. Consultation (4)/12–844 : Telegram

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

SANTIAGO, December 8, 1944—3 p. m.
[Received 9 : 27 p. m.]

1898. For Armour from Wright. As I told you over telephone all of points made in your 1217, December 7, had been most fully covered in conversations with Fernández. In interest of full understanding, I shall give you some background:

After full discussion with Ambassador, it was decided that it would be best for original presentation to be made by Ambassador without my presence and subsequent to Ambassador's interview with Fernández it was further agreed that owing to fact Ambassador was proceeding to Viña, I should not approach Fernández unless he sent for me, Ambassador having informed him of my presence and that I had brought message. Ambassador told me that if Fernández did send for me, I should go at once to see him. Fernández called me yesterday afternoon and Millard [68] and I spent over an hour with him. He did not then appear in any way distressed and gave every impression of understanding problem fully and seemed personally entirely disposed to take action if he can find a suitable pretext which would stand up under political pressure. There seemed to be no question of desirability in his mind but rather only one of how much Administration can get away with politically at this time particularly when elections are approaching. One of things I most strongly underlined to him was that we were simply as old and good friends of Chile informing them of a situation which exists and there was not slightest pressure. If Chile acted, it would act on its own initiative and in its own interest. There cannot be slightest misunderstanding on this score. Fernández said he thought it would be highly desirable for President to speak with me to get Washington background on matter. He asked me if I could go to Viña. I said that I did not want to push in this matter in any way, that I had a luncheon engagement in the Chilean Central Bank for Saturday noon, that if I broke this engagement questions would be asked, however, if President really wanted me to come to Viña and after consulting Ambassador Bowers and it was considered desirable, I would be glad to do so on Sunday if he would let me know. Fernández agreed that it would be unwise to break Central Bank engagement and said if President wanted to see me and after speaking with Ambassador Bowers he would telephone to me.

It was made clear to Fernández we had not told Mora [69] in Washington of this matter solely because we did not want to embarrass

[68] Hugh Millard, Counselor of Embassy.
[69] Marcial Mora Miranda, Chilean Ambassador in the United States.

Fernández by having other persons know about the situation when he should be the one to tell them if they should know. He expressed his appreciation for our having handled matter this way and also agreed that by keeping down the number of people involved likelihood of leaks decreased proportionately.

To summarize: My present estimate of situation is that chances are better now than 3 days ago but that it is still a long shot. The political hurdles are really great and Fernández said yesterday that not only would Senate have to act but also Chamber and he was even doubtful what control Administration has over Congress. Unless Chile goes along, I believe that it would be a very serious mistake for us at this time to endeavor to foster this proposition in other countries involved. We would wind up exactly where we started. You will recall that before I left we agreed that I would come to Chile and feel out situation here and that I would make no approach in other countries until there was full agreement with Department on future course of action. This is still my view and I made it abundantly clear to White[70] in my talk with him in Lima Sunday night that absolutely no action was to be taken until definite instructions were received from Department. He fully understands and concurred in strong terms although he is very sanguine that Peru would go along. [Wright.]

BOWERS

740.0011 E.W./12–1144 : Telegram

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

SANTIAGO, December 11, 1944—noon.
[Received 3:51 p. m.]

1905. For Armour from Wright. The Ambassador, Brooks and I spent well over an hour with the President and Fernández in Viña yesterday afternoon in a most cordial, understanding, and I believe useful interview. The President opened conversation by making it clear that he proposed to speak in complete frankness and hoped we would do the same. He viewed entire matter as one of friendly discussion between United States and Chile and spontaneously said that he approached problem on premise that United States had simply made to Chile a suggestion of something Chile might well do in its own interest. Nothing even resembling pressure was involved.

A lengthy discussion of subject matter then ensued but I shall not burden you with details. Suffice to say that every facet of problem was covered. Net of situation is this: President and Fernández are fully appreciative of great desirability of Chile taking this step.

[70] John Campbell White, Ambassador in Peru.

They are seriously searching their minds for ways and means to do it. In our discussion a number of possible formulae were mentioned but one which seems most to appeal to them (and one on which although we made first suggestion the pride of authorship is now arising in them) is a legalistic formula going back to the Lima and Panamá declarations [71] which provide that aggression against one American power by a non-American power constitutes aggression against all; then following the chain of reasoning that Chile, upon breaking relations with Axis [72] and taking steps necessary to implement that break in relations (and these have been really considerable) has, in fact, placed itself in a state of belligerency albeit not a formal one. When relations were broken President stated publicly that this was tantamount to belligerency and he is now examining the possibility of going back to that statement and in some way either with previous or subsequent Congressional approval, making a further statement that since a given date Chile finds itself in state of belligerency. I wish to emphasize that this is only one of several plans under consideration.

There was considerable discussion on what constituted belligerency. I cited the cases of Bolivia and Colombia where we had told those countries that a positive statement of the government of the country concerned that a legal state of war existed would suffice and that we would not go behind the authorized statement of a government in a matter of that kind.[73]

I am positive that if Chile takes this action there will have to be certain accompanying naval and perhaps even military steps taken by us. The President dwelt at length on Chile's long coast and on vulnerability of Straits of Magellan. He said that although Chile has a treaty with Argentina which precluded Chile's fortifying the Straits [74] as such, nevertheless Chile could establish a large base near entrance of Straits in a way which would give same protection but which would not violate treaty. He wanted very much to do this and made it rather clear that if Chile became a belligerent, this would practically be a necessity. He emphasized that he would want to do all of this in cooperation with United States and with our aid. He again pointedly referred to Naval Mission and we were able to tell him good news contained in the Department's telegram No. 1219,

[71] For text of the Declaration of Lima, see Declaration of the Principles of the Solidarity of America, approved December 24, 1938, *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 Declaration of Panamá, see *Foreign Relations*, 1939, vol. v, p. 36.

[72] See *ibid.*, 1943, vol. v., pp. 795 ff.

[73] For correspondence on the policy of the Department of State with respect to the Bolivian war declaration, see *ibid.*, pp. 543 ff.

[74] See treaty signed at Buenos Aires, July 23, 1881, *British and Foreign State Papers*, vol. LXXII, p. 1103.

December 9, 8 p. m.[75] (My strong recommendation is that immediately a formal request is received, an officer of at least Rear Admiral rank be sent at once to Chile. It would be a sorry mistake to send an officer of lower rank owing to fact that Peru has stationed in Lima a Rear Admiral in charge of American Naval Mission.) President went on to say that base which they hoped to establish near Straits would assure for United States and for hemisphere defense from outside aggression against that part of world. He cleverly interwove within his argument thesis that base would also add to Chile's security from aggression from Argentina. There is no question but that President and Fernández are rather seriously worried about intentions of Argentina vis-à-vis its neighbors.

The President several times referred to his disappointment in not having been able to accept President Roosevelt's invitation to visit him in Washington.[76] He kept coming back to this subject throughout conversation. We, of course, expressed in appropriate terms our great disappointment at his not having been able to make visit and our hope that an appropriate occasion would present itself in near future at a time mutually agreeable to him and to President Roosevelt when invitation could be accepted. This matter was left with understanding that he probably would not be able to come to United States before elections in March but that when he was able to set a tentative period during which visit could be effected he would notify Ambassador Bowers so that we could ascertain whether President Roosevelt might be available at that time to receive him. I have not slightest doubt but that a trip to Washington as guest of President Roosevelt is one of things dearest to President's heart. I also believe that nothing would give him more pleasure than to be the one to go to Washington to sign United Nations Declaration if this is done.

Owing to fact that we have asked Chile to take initiative in matter which is the subject of my visit here and Chile has agreed to examine every possibility of taking this initiative, we had to take responsibility of telling President that we would not approach any other of six countries on our own initiative without first consulting Chile. We have made it clear that Ecuador had already approached us and that if she acted independently, we could not control this. Also, it was made clear that if any other nation acted independently this, of course, would also be something without our control. However, I cannot emphasize too strongly necessity of our giving Chile a few days or even a few weeks in which to find a satisfactory solution. Our position will be infinitely better if the initiative comes from Chile and,

[75] Not printed; the good news was the willingness of the Navy Department, subject to the receipt of an official request, to cooperate in sending a naval mission to Chile (825.20 Missions/12–544).

[76] Concerning this proposed visit, see *Foreign Relations*, 1942, vol. VI, pp. 32–35 and 39–44, *passim*.

as we have previously agreed, it would net us next to nothing to have the other five take the action if Chile failed to do so. Consequently, I hope that you will send me instructions in Lima to return to Washington, pausing only in Lima long enough to give White background (he already fully understands he is to do nothing). I question the desirability at this stage of my presenting matter at all to Embassies in Quito and Caracas. I personally fear leaks if this matter is spread too much and if Chile takes initiative, I believe that our position will be better at that time to answer any question which may be asked in Caracas (which we will, in any event, have to in Montevideo and Asunción). Ecuadorian Government already knows our views on subject and so does Scotten.[77]

I shall leave Santiago for Lima tomorrow morning, December 12, and shall be in Lima all day December 13. [Wright.]

BOWERS

740.0011 EW/12–1244

The Ambassador in Chile (Bowers) to President Roosevelt

SANTIAGO, December 12, 1944.

DEAR MR. PRESIDENT: I understand you personally are much interested in the matter which brought Wright here with a confidential message to me regarding a declaration of war. The instructions were that the utmost care should be taken not to create the impression that pressure was being exerted, or even that a request was being made, but to make it clear that we were merely setting forth possible contingencies as to the future which are of concern to Chile and to us. That was done with a meticulous regard for the instructions and that is thoroughly understood by both Ríos and Fernández.

It is unfortunate that war against Japan was not declared at the time of the rupture but at that time the Department did not encourage but rather discouraged such steps as being meaningless and possibly embarrassing to us. It could easily have been declared at that time.

The embarrassment now lies in the fact that nothing new has developed on which to predicate a declaration of war after a year and a half, and yet such a declaration would have to be explained to the Senate which would have to be consulted. Fernández unquestionably is right in saying that without a pretext the Government would be attacked in the Senate by its enemies. . . . And the time is inopportune because party feeling momentarily is high because of the congressional elections in early March.

I sat beside Ríos at a luncheon for General Dunham in Viña Thursday and he made it clear that he wishes to comply and will earnestly

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[77] Robert M. Scotten, Ambassador in Ecuador.

seek a pretext or solution. On Sunday in the garden of the Governor, at Viña, I had forty minutes with him alone on that subject and others, and that afternoon in the President's summer palace in Viña, Wright and I had an hour with him and Fernández. Both keenly appreciate the fact that we come first to Chile; both made it crystal clear that they see the advantage and will seek a solution. When it was suggested that it would be sufficient if Chile declare that she considers herself legally in a state of belligerency with Japan, both perked up, exchanged glances which indicated relief, and Ríos thought it might be done without inviting attack since he had said publicly before rupture that rupture was equivalent to a declaration of war. With this statement before them, the Senate voted for rupture. I think Ríos and Fernández will make the most of this in informal conversations with senators who will not know that the idea originates with us, but will be given the impression that it originates with Chile because of a fear that her position will not be strong enough in the post war conferences.

I feel strongly that we should be patient while they seek a way out that cannot be plausibly attacked. The Ríos régime is under political attack now because—

(1) She did break with the Axis.

(2) She is moving with more vigor than anywhere else in the liquidation of the German bank, insurance company and many German firms.

(3) She did accept our position as to Argentina, taking our three points.[78]

(4) She has just agreed to establish diplomatic relations with Russia.[79]

These array some powerful factors against the Administration at the beginning of a campaign. It is not timely to insist at this moment. Our enemies are with the opposition. However, I shall talk with Fernández frequently without pressing him in any way.

. . . . . .

Sincerely, CLAUDE G. BOWERS

740.0011 EW/12–2644 : Telegram

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

WASHINGTON, December 26, 1944—8 p. m.

1259. We feel that the time has come when you should ascertain whether Chile intends to exercise leadership among the other five

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[78] For text of the statement of this position, see p. 64.

[79] With regard to U.S. interest in the establishment of diplomatic relations between the American Republics and the Soviet Union, see bracketed note, p. 170.

American republics concerned in the matter discussed during Wright's trip to Chile. The awkwardness of the situation of the six American "Associated Nations" will be manifest on January 1, 1945 when the French representative here will affix his signature for adherence of France to the United Nations Declaration at a ceremony to which only representatives of the United Nations will be invited. Furthermore, there is increasing evidence that very soon will arise in concrete form the question of what nations are to be invited to the proposed United Nations conference on international organization.

We feel strongly that as good friends of the other five American republics concerned we cannot delay longer in informing them of a situation which so definitely affects their national interests. Consequently, if Chile does not expect now to assume leadership (which we hope she will assume) in this matter, we must instruct our Ambassadors in the other five countries to inform the governments to which they are accredited of the situation which has been described to the Chilean Government.

Please explain this situation at once to Fernández and cable reply. We shall, of course, take no action in this matter until we receive your cable.

STETTINIUS

740.0011 EW/12–2944 : Telegram

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

SANTIAGO, December 29, 1944—10 p. m.
[Received December 30—4 : 30 a. m.]

1981. Saw Fernández in response to urtel 1259, December 26, 8 p. m. He is clearly distressed over predicament in which he and President are placed and he has been seeking a method made extremely difficult and delicate at this moment since the country is at the beginning of a bitter contest in congressional elections. Death of a radical Senator leaves administration with one less than a majority and our proposal would have to be submitted to Senate by President and the resulting debate would probably extend for a month. He himself is the target for all our enemies because of his many actions along our line and he has just emerged from his fight in Senate over establishing relations with Russia triumphant over Alessandri but only because he was able to read Alessandri's instruction to Cruchaga, his Foreign Minister, urging recognition of Russia and Cruchaga's instructions to Chilean Minister in Bern to join in urging Russia to join the league and to be very friendly with the Russian representa-

tives. This killed the debate. But Fernández' action in bringing rupture with Axis, his insistence on action against Nazi spies and agents, his stout insistence on carrying out the Rio plan for economic and financial control,[80] his withdrawal of Conrado Ríos [81] from Buenos Aires, his support of our position on Argentina have made him anathema to every Fascist, Nazi, Spanish Falangist and pro-Argentine, and today's *El Chileno* has a violent attack on him. Were he to go before the Senate with the statement that after all this Chile is to be given a subordinate position and not considered as of the United Nations, his enemies who are distinctly ours will ridicule his whole policy as failing to get even recognition as with the United Nations. At this time this would be largely political because of coming elections but all the more violent on that account. All this I know to be true.

(1). He proposes with our consent only to seek an agreement with Russia and Great Britain to include Chile in the meeting of United Nations on the strength of her contributions and cooperation in the war. Should such consent be given, he would instruct Mora to approach the Russian Ambassador in Washington,[82] but without that consent Mora will remain in utter ignorance of the mission of Wright.

(2). He asks if at all possible that the submission of proposition to the other nations of South America be postponed to give more time. The Russian matter has occupied him constantly until the other night.

(3). If or when he goes to Consultative Meeting of Ministers in Mexico could stop off in Washington to consult with Stettinius or he could send a special envoy now for the purpose.

Observations. Since Wright was here the difficulties have increased because of the fight on Russian recognition and the speeding up of the election campaign. His position and that of President is momentarily most difficult and, in view of his many courageous stands for things we want, I think we should go the limit of possibilities in protecting him against his enemies who are ours.

Would appreciate early reply to points 1 and 3.

To make matters worse, Ríos who foolishly rushed back to work in 5 weeks after major operation has been forced by physician to spend next 2 months in Viña for a rest. If possible to postpone action contemplated until after election, serious obstacles would be removed.

BOWERS

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[80] Recommendation V adopted at the meeting in Rio de Janeiro; 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 correspondence on this meeting, see *Foreign Relations*, 1942, vol. v, pp. 6 ff.

[81] Chilean Ambassador to Argentina.

[82] Andrey Andreyevich Gromyko.

NEGOTIATIONS TO PROCURE FOR THE UNITED STATES STRATEGIC MATERIALS FROM CHILE [83]

811.20 Defense M (Chile)/12–1543

The Chief of the Metals and Minerals Branch, Foreign Economic Administration (Nitze), to the Special Adviser on Supplies and Resources (Taft)

[Extract]

WASHINGTON, December 15, 1943.

DEAR MR. TAFT: . . .

. . . . . .

4. From the standpoint of shipping, manganese from Chile is more difficult to handle than from any other source area. From the beginning of purchases of Chilean manganese under the Overall Agreement on February 1, 1942 [84] up to the present, it has been possible to arrange for shipment of about 10,000 tons only. The balance of production has remained on stockpiles in Chilean ports. There is little reason to suppose that the situation in this respect will change appreciably during the coming year. Months ago when continued safety of Atlantic shipping was very much in doubt, the wisdom of building a Chilean stockpile was apparent. By the end of January 1944 a Chilean stockpile of a roughly 200,000 tons will have been built, and the urgency of the need for such a stockpile will have been sharply reduced.

5. Among all of the source areas for manganese, Chile now appears to be the least urgently required and the most logical area to commence curtailment.

In presenting for your consideration the problem of reducing Chilean manganese purchases, there are several points which we believe to be significant from the point of view of possible political repercussions:

Recent communications from our field staff and reports from the embassy at Santiago suggest that complete cessation of manganese purchases in Chile would cause notable hardship, including unemployment of at least 5,000 laborers.

Reports which have been received at this office, not only from our own field staff but also through several informal channels, indicate that the opinion is widely held in Chile that over-expansion of manganese production facilities in Chile is the result of direct encouragement

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[83] Continued from *Foreign Relations*, 1943, vol. v, pp. 826–862.

[84] For text of the notes exchanged with the Chilean Government on January 26, 1942, see depatch 2536, February 4, 1942, from Santiago, *ibid.*, 1942, vol. VI, p. 48.

by U. S. Government representatives. In this connection, we consider that some statements which have appeared in the Chilean press (for instance, that the rate of purchases has been curtailed without warning) are unjustified and extremely damaging to our relationships with Chile. Accordingly, for your information, we wish to place on record our understanding of the history of the manganese expansion and purchase program in Chile as it has operated under the Overall Agreement.

In 1940 at a time when the rate of Chilean manganese production was roughly 1,000 tons a month, many of the Chilean manganese mines were visited by Mr. Charles Will Wright who was representing the U. S. Bureau of Mines. It is our understanding that Mr. Wright spoke at that time of the relatively small proportion of U. S. manganese requirements secured from domestic sources and that he informally emphasized to the industry that ways and means of increasing manganese production in Chile should be considered.

During 1941 Chilean manganese production rose to 35,000 tons.

Late in 1941 and early 1942, the first Overall Agreement with Chile was under negotiation. At that time our representatives suggested a maximum ceiling of 100,000 tons for manganese purchases over a period of 18 months (66,000 tons per year). In spite of the fact that production facilities were not then available, the Chilean representatives urged for a considerably higher ceiling. The final form of the Overall Agreement was evidently a compromise committing us to the purchase of 120,000 tons over a period of 18 months (80,000 tons per year). Presumably this figure was acceptable to the representatives of both countries, and considering the circumstances of the negotiation the Chileans must have understood that the United States was unwilling to commit itself to the purchase of any greater amount at that time.

In spite of the limitations expressed in the Overall Agreement, it appears that the Chilean manganese industry expanded its production to such an extent that within the first year the question of an increased quota was repeatedly raised for consideration. All of these representations for an increased quota were consistently resisted throughout the period of the first agreement. Nevertheless, the Chilean manganese industry continued to increase its capacity.

During negotiation of the current extension of the Overall Agreement, the question of an increased quota for manganese was again raised by the Chileans and again resisted by the American representatives. The rate of purchase expressed in the renewed agreement was exactly as before—80,000 tons per year.

In spite of the very obvious warning given in the latest negotiation,

it is our understanding that the Chilean industry continued to allow some of its latest expansion projects to go into production, thereby still further aggravating the situation. The result is that the full 80,000-ton quota for the year ending July 21, 1944 is expected to be complete early in January 1944.

In view of the hardship which is already being felt by the Chilean manganese industry because of impending curtailment, we would appreciate it if you would give us your recommendations as soon as possible. Should there be any way in which we can assist you in reaching a decision, please advise us.

Sincerely yours, PAUL H. NITZE

103.9169/1603a : Telegram

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

WASHINGTON, January 1, 1944—10 p. m.

4. From Scheuer [85] FEA and USCC [86] to Low.[87] Your 2112 and Ambassador's 2111 December 17,[88] concerning Chilean manganese.

You are hereby authorized to execute a contract or contracts on behalf of U. S. Commercial Company to purchase the 40,000 long tons of manganese required to complete this Government's obligations under the existing Overall Agreement, said purchase to be for the period up to February 1, 1944, or such longer period not extending beyond August 1, 1944, as negotiations may require. For price and other terms, you should be guided by Overall Agreement and present MRC [89] contract. Before execution of above contract or contracts, please establish through Embassy the assurance of Chilean Government that above purchase completes U. S. Government's obligation to purchase manganese under present overall, and that the arrangement for purchase by the USCC will release the MRC of any further obligation under the Overall Agreement.

The Department has concurred in the recommendation that, in addition to above, 40,000 long tons of manganese be purchased. Following this recommendation, you are hereby authorized to proceed in accordance with (2), (3) and first paragraph of (4) in your 2112, except to substitute USCC for MRC and you are further authorized to execute on behalf of the USCC the contract or contracts contemplated therein.

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[85] Sidney Scheuer, Assistant Director in charge of imports, Foreign Economic Administration.

[86] United States Commercial Company, successor to the United States Purchasing Commission.

[87] Sam D. W. Low, Special Representative in Chile of the Foreign Economic Administration.

[88] Neither printed.

[89] Metals Reserve Company, an instrumentality of the Reconstruction Finance Corporation.

Please keep us advised of all developments, and furnish us copies of all documents. The Department is advising the Embassy in accordance with the above.

At the same time that this decision is announced to the Chilean Government, we consider it desirable that they be informed of the changes which we expect to propose in Schedule A of the Overall Agreement before the semi-annual review date of February 1. These changes are proposed in order to bring our Chilean prices more in line with our present easier supply situation in the minerals concerned and to avoid the accumulation of uneconomic surpluses.

Mercury: Price to be based on the average E. & M. J. New York quotations for the seven market days immediately preceding the delivery date. U. S. duty for Seller's account. Delivery to be c.i.f. New York.

Antimony, Chemical Grade: Change base price of $2.10 per short ton unit to $1.70.

Antimony, Metallurgical Grade: Change base price of $1.75 per short ton unit to $1.40.

Lead: No change.

Zinc: No change.

Copper Ores: 10 percent less than present price on February 1 to April 30. 10 percent additional reduction May to June 30.

Copper Concentrates: A reduction of 5 percent and 5 percent respectively on the same dates.

Cobalt: In place of present schedule:

4 percent to 5.99 percent, $0.17 per pound of contained Co. f.o.b. steamer Chilean port. 6 percent to 6.99 percent, $0.30. 7 percent to 7.99 percent, $0.40. 8 percent to 8.99 percent, $0.50. 9 percent to 9.99 percent, $0.60. 10 percent and up, $0.70.

Molybdenum: Change present base price of .656 cents per pound Mo to 37 cents per pound MoS_2 f.o.b. steamer Chilean port.

Tungsten: Change present base price of $22.60 to $16.00 per short ton unit of WO_3 f.o.b. steamer Chilean port.

Gold Ores and Concentrates: We again propose that the prices paid for gold ores and concentrates be reduced by 10 percent. If this does not now meet with the approval of the Ambassador we should like to receive his views but suggest that notice of the other changes proposed be given to the Chilean Government without delay.

As you know, the Chileans are receiving exceptionally favorable treatment with respect to gold ores. With respect to other commodities mentioned, it should be made clear that the changes suggested are in line with policy being followed in other countries and in the U.S. and are essential if the mining industry is to reduce its operations in an orderly way. If not made now, more abrupt reductions in the future are inevitable with resultant severe economic dislocations.

HULL

811.20 Defense (M) Chile/610a : Telegram

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

WASHINGTON, January 3, 1944—4 p. m.

6. Referring to telegram of today's date from Scheuer to Low,[90] the Department has discussed program outlined therein with FEA and agrees that since it appears likely that certain supplies of minerals and metals would exceed requirements during 1944, it is advisable to initiate steps looking toward gradual, orderly reduction in production. If such steps are not taken, the result may be a more rapid accumulation of stockpiles necessitating more drastic reductions in production on short notice which might precipitate economic disturbances too rapidly for the local authorities to cope with. The program outlined by FEA is intended to spread the strain resulting from decreasing production over as long a period of time as circumstances would permit.

Similar steps are being taken in mining areas other than in Chile. As an example, for your confidential information, purchases of copper from the high-cost Matahambre mine in Cuba are being discontinued by FEA, the mine having been given approximately 3 months' notice. The WPB [91] is also working on a program which envisages the gradual reduction of domestic production of such minerals and metals as are in over supply. This program has already been put into effect domestically on bauxite, mercury, tungsten, molybdenum, and other ferro-alloys. The program for production and reduction of non-ferrous metals has not as yet been completely worked out. We have every reason to believe that during the coming year production from domestic high-cost copper, lead and zinc mines will be reduced or eliminated.

HULL

825.24/1671 : Telegram

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

SANTIAGO, January 3, 1944—10 p. m.
[Received January 4—12 : 51 p. m.]

12. 1. The copper limitation agreement [92] was negotiated in good faith by both parties at a time when it was believed by both parties

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[90] Presumably telegram 4, January 1, 10 p. m., *supra*.
[91] War Production Board.
[92] For terms of the agreement, see note from the American Ambassador in Chile to the Chilean Acting Minister for Foreign Affairs, August 11, 1943, *Foreign Relations*, 1943, vol. v, p. 851.

here that the exigencies of the war required a maximum of copper for the Armed Forces of the United Nations. Reference is made to the Department's 1351, December 31, 2 p. m.[94] The Chilean Government so far as we are aware has adhered to the agreement in spirit and letter. Any move made by us at this time to change the agreement might serve to convince the Chileans that our policy here is determined by the expediency of the moment. Moreover it is likely that the Chileans may wish to have the agreement revised or canceled as a result of the desire of the United States to ease [apparent omission] on copper purchases as indicated in Department's 4, January 1, 10 p. m.; therefore we may reasonably await initiative on the part of the Chileans for modification of the agreement.

2. Perhaps the greatest advantage of the agreement from our point of view has been a voice in the control of copper exports to Argentina. It is our rough estimate that at least 3000 tons of copper and possibly double that amount would have been exported to Argentina during the past 9 months had it not been for the agreement and for the consultative agreement which preceded it. The Chilean Government is undoubtedly under considerable pressure to export copper to Argentina, both from Argentina sources and from local, political and other sources animated solely by the huge profits in the business.

3. Decree for despatch of 545 tons has been in the hands of the President for 8 days and will probably be signed on January 5.

4. The heading of the Department's 1351 indicates that operational features of the copper limitation agreement are to be turned over to FEA representative in Santiago. Please instruct by return cable[95] as Economic Counselor here leaving for Washington end of month and wishes to effect turnover before departure if turnover is to be made.

BOWERS

835.24/2445 : Telegram

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

WASHINGTON, January 4, 1944—6 p. m.

11. The United States copper position is now somewhat more favorable than when the copper agreement was made with Chile and, in an effort to remove at the earliest feasible date (so far as possible) this fetter to trade with all of its attending administrative difficulties, it is desired to terminate the copper agreement in so far as the other American republics which have broken relations with or declared war on the Axis are concerned.

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[94] Not printed.
[95] See *infra*.

When the United States requested Chile to make the copper control agreement our copper requirements exceeded supply and our future need for copper was much more uncertain than it is at present. The Department appreciated that Chile's entrance into this agreement entailed a sacrifice on its part by limiting its exports of fabricated copper to only 18,000 tons per year when some 34,000 tons had been sold during the previous year. In an effort to alleviate this situation the Department endeavored to assure to Chile a market for its fabricated copper within the 18,000-ton limitation and made available to Chile important copper fabricating machinery which will benefit the country not only now but also in the post-war period. When the Chilean Ambassador called at the Department on December 20 the improved copper supply situation was discussed fully with him and it was suggested informally that one of the ways in which we could aid Chile in preparing for the post-war adjustment period would be relaxation of the copper agreement. Thus Chile could continue to expand its local fabricating industry and export fabricated copper in greater quantities. It might be possible even to assist Chile further in improving its copper fabricating industry, as for example through facilitating the delivery of additional equipment if needed.

While the copper supply situation is improved, it is not to be understood that copper is plentiful. It is felt, however, that this Government can now safely permit the free export from Chile of fabricated copper to all of the other American republics except Argentina. Argentina already possesses substantial commercial stocks of copper and the Department would be very loath to see additional supplies of Chilean copper sent to that country for diversion to Proclaimed List firms or to uses inimical to hemispheric security.

Please immediately explore this situation with the Foreign Minister [96] along the foregoing lines, expressing to him and to other officials with whom you speak this Government's sincere and warm thanks for the cooperation which Chile has rendered in connection with copper control, making it clear that it has been our intention from the beginning to agree with Chile on the relaxation of the controls as quickly and as fully as possible.

In connection with this matter reference to your Telegrams Nos. 2144 [97] and 2159 [98] concerning a barter deal of Argentine mares for copper is pertinent.

Please maintain telegraphic communication with the Department on this matter.

HULL

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[96] Joaquín Fernández Fernández.
[97] Dated December 23, 1943, 9 p. m., not printed.
[98] Dated December 27, 1943, 5 p. m., *Foreign Relations*, 1943, vol. v, p. 861.

811.20 Defense (M) Chile/610 : Telegram

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

SANTIAGO, January 4, 1944—6 p. m.
[Received January 5—2:28 a. m.]

21. For Hull, Stettinius,[99] Duggan [1] and Bonsal.[2] Reference Department's 4, January 1, 10 p. m. The notice of reductions in prices we will pay for copper ores, concentrates, gold ores, mercury and other metals has caused a veritable explosion of dismay and wrath against the United States in which many most militantly with us for 2 years completely sympathize. The papers here for 2 or 3 days have been filled from non-official sources in America with the most alarming stories of reductions in prices and purchases of Chilean strategic materials. The timing of all this impresses me and the staff as inconceivably bad since it comes at the most crucial and critical moment involving our prestige and influence in South America and revolving around the Bolivian situation.[3] Tremendous pressure is being brought by Argentina against the Government here and I am informed reliably that there is plenty of Argentine money here for propaganda and other perhaps more sinister purposes. These reports give all manner of aid and comfort to our enemies resulting in bitter comments from men who have staunchly been our friends and putting Fernández and Ríos [4] on the spot at a time when it is vitally important I positively know that they be supported if possible. Our enemies are pouring in [garbled group] hitherto closed to them that our friendship lasts only as long as our necessities and that we care nothing about the economic ruin of Chile.

This morning Fernández asked to see me on these reports. He was terribly depressed and clearly alarmed. Last night while he and Ríos were working on the control decrees the Minister of Economy and Commerce [5] and Senator Lira, head of the mining bank, broke in on them greatly excited over the reports which I know are having a serious effect on public opinion here and at a vitally critical juncture when Chile is supporting our position on Bolivia to the utmost. He said that because of our contract Chile is closely limited on amount of copper that she can sell to other countries and that Brazil is bringing constant pressure and if we both reduce purchases and prices he knows of no way to satisfy public opinion.

Have just had a conference with Heath,[6] Butrick,[7] Lamb of FEA

[99] Edward R. Stettinius, Jr., Under Secretary of State.
[1] Laurence Duggan, Director, Office of American Republic Affairs.
[2] Philip W. Bonsal, Deputy Director, Office of American Republic Affairs.
[3] For correspondence on the recognition by the United States of the Bolivian revolutionary junta, see pp. 427 ff.
[4] Juan Antonio Ríos Morales, President of Chile.
[5] Fernando Moller.
[6] Donald R. Heath, Counselor of Embassy.
[7] Richard P. Butrick, Counselor of Embassy for Economic Affairs.

and Pave Miller of Metals Reserve who are as much shocked as I am by the timing of these reports, and agree with me that politically when we have so much at stake the effect will be disastrous. A memo by Miller goes forth in next pouch. Level-headed American businessmen who understand the situation here are extremely alarmed over the probable political effect at this time. Some even predict a return to the revolutionary activity of 1931 and 1932.[8] We of the Embassy do not think this exaggerated for we know that Argentina is concentrating on means to getting a military government in power here subservient to Argentine direction and hostile to the United States. Am informed that the proposed reduction in prices for the 6 months beginning in February means a net saving of but $200,000. In view of that [*what*] is involved here and the effect in South America of a successful revolutionary upheaval in Chile I can not imagine how that amount of money can be better spent in the war effort and as a war measure. We have too much at stake to haggle over that amount to lose any of our staunchest friends and give aid and comfort to our enemies.

I think it important that a news story be inspired from the United States to calm the public here and to impress on the press associations that even the press is not free of certain patriotic obligations in times of war. We all feel that there must be a 6 months interval to permit of readjustments necessary to prevent serious economic consequences that will react with dreadful effect against us at a time when we can least afford it. Please inform FEA.

BOWERS

103.9169/1604 : Telegram

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

SANTIAGO, January 7, 1944—4 p. m.
[Received 11 : 36 p. m.]

39. For Scheuer, FEA and USCC from Low and Lamb.

. . . . . .

We believe that instead of forcing on the Chileans the drastic cuts in copper and gold prices which you propose in the impending regular review of Schedule A, we should put the industry officially and definitely on notice that any time, by announcing that the prices must be revised downward but after a 6 months period, thus allowing Government and producers to plan an orderly reduction in operations. The production of small copper and gold mining industry is now only about 70% of what it was at time Overall Agreement was initiated in early 1942 and several of the larger companies in this group are just holding

[8] See *Foreign Relations*, 1932, vol. v, pp. 430 ff.

their own at present prices. In connection with above condition and the continuing rise in operating cost, it has been evident for several months that the representatives of the industry have been planning a strong case for increased copper prices at the semestral review of Schedule A.

There has been no interchange of ideas with Videla or Alvarez [14] regarding how the orderly reduction might be best effected but from our knowledge of the situation we feel: (1) that the proposed changes in prices and specifications for antimony, lead, zinc, cobalt, molybdenum, tungsten, and probably mercury can be adopted effective February 1; (2) that no change should be effected in the prices for copper ores and concentrates and gold ores and concentrates at this revision; (3) that we should be authorized to extend the Overall Agreement to conclude definitely on January 31, 1945; (4) that in the foregoing proposed extension the prices of the original Overall Agreement for copper ores and concentrates be restored by two successive stages effective August 1, 1944 and November 1, 1944 which will remove the two increases respectively granted since the original Overall Agreement and original schedules were made effective on February 1, 1942. This final extension of the Overall Agreement would not include manganese which will be handled in accordance with telegram 4 of January 1 and the extension would be limited to copper and gold.

In considering this proposal FEA should understand that the question at stake is political and should not lose sight of the extremely vital low cost, large overall tonnage of copper representing Chile's contribution to war effort. Since the question of Overall Agreement is now a delicate one closely tied to the state of our Government's relations with Chile as evidenced by the Ambassador's telegram, it will be indispensable for us to have in hand authority to make a proposal along the lines indicated before meetings for semestral review with full Chilean committee are initiated.

Please note the practical necessity for concluding negotiations well in advance of February 1 when revised specifications will apply to all deliveries subsequent to that date.

BOWERS

825.24/1676 : Telegram

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

SANTIAGO, January 7, 1944—6 p. m.
[Received 10 p. m.]

41. The Ministry of Economy and Commerce insists that Chile be granted its full quantity quota on the basis of the copper agreement

[14] Pedro Alvarez, member of a governmental committee representing the small mining industry; official of the Chilean Nitrate Sales Corporation.

which allows Chile 3,300 tons a year; therefore it appears that in answering your 10, January 4, 3 a. m.,[15] FEA will have to make sufficient adjustments of the quotas of other countries to bring total within the 18,000 ton annual limit. It is possible to construe the copper agreement as not applying insofar as quotas are concerned to the military needs of other countries but that construction would apparently leave the Argentine door fairly wide open. The Minister of Economy and Commerce is holding up approval of the 545 tons refinery shapes for Brazil fourth quarter quota I am unofficially informed because of the piece [*price*] reductions in the Overall Agreement proposed by FEA. The Embassy will attempt to obtain release of those shipments in a short time.

BOWERS

811.20 Defense (M) Chile/625

The Ambassador in Chile (Bowers) to President Roosevelt

SANTIAGO, January 7, 1944.

DEAR MR. PRESIDENT: I am enclosing for your information a copy of a telegram sent the Department today.[16] It is terribly disheartening at a time when we have aligned Chile with us to the full in the vital matter of the Bolivian Junta, to have these new plans to reduce everything, purchases and prices, to the serious immediate disadvantage of Chile thrown in our laps. On the matter of wood pulp, we all feel very strongly. I, personally, cannot yet understand why it is impossible to give Chile 300 more tons of newsprint greatly needed, by taking that meager amount from Argentina, our enemy, openly now our enemy, organizing or trying to organize an anti-United States bloc in South America. It would still leave Argentina with five or six thousand tons a month as against 580 tons a month for this outstanding democratic country. The press is now attacking on that score and this week it was the subject of discussion in the House of Deputies. It is dangerous, and very hard to understand. This view is warmly shared by every single member of my staff.

Sincerely, CLAUDE G. BOWERS

811.20 Defense (M) Chile/619 : Telegram

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

SANTIAGO, January 8, 1944—1 p. m.
[Received 8 : 50 p. m.]

45. For Hull, Stettinius, Duggan and Bonsal. I have given considerable thought to your 11, January 4, 6 p. m. and am convinced in

[15] Not printed; it indicated the quotas of copper refinery shapes from Chile for other American Republics (103.9169/1944).

[16] Presumably No. 41, 6 p. m., *supra*.

my own mind that it is not opportune for me to bring up in a direct manner with Minister of Foreign Affairs matter of termination of copper agreement, especially on top of bombshell we exploded in preliminary mention of price reductions under the Overall Agreement for purchase of certain minerals from small mining industry. See my 21, January 4, 6 p. m. and 39, January 7, 4 p. m. This telegram strictly confidential.

I prefer to bring up this matter with Foreign Minister when I can convey some good news to him and I most earnestly recommend that I be authorized to inform him that we have fixed the woodpulp quotas for the second and remaining quarters of this year at 4,000 tons per quarter. The technical details of Chilean woodpulp requirements have been exhaustively reported by Embassy. Department is aware of vast saving to newsprint production industry resulting from sending chemical woodpulp to Chile where it can be mixed with Chilean mechanical woodpulp in ratio of about one part United States woodpulp to seven parts Chilean woodpulp for production of newsprint. Moreover, it will aid in maintaining existing Chilean industries and therefore be consistent with our policy of developing in Chile copper and other industries which depend largely for their raw material on Chilean resources. Matter of failure of the United States to supply Chile with sufficient woodpulp while Argentina is able to obtain supplies from Europe as well as the United States because she did not break relations with the Axis has caused comment here which has even reached the floor of the House of Deputies. I must ask that the Department and the other concerned agencies of the Government augment without delay woodpulp quotas for Chile.

Minister for Foreign Affairs has inquired about the Department's resolution regarding exchange of Chilean copper for Argentine mares. He states he would not admit of pressure from Argentina, that mares he desired for agricultural purposes especially because of limited gasoline supplies made available to Chile, and that this is purely a Chilean request. He was apprised that Argentine Army customarily has its military needs for copper manufactures handled by a Proclaimed List firm (Sema)[18] and that it is thought Argentine Army pays the firm in copper. It is believed that he would like a favorable reply even though it placed exchange on a restricted monthly basis but in any case he wishes an early reply. I am convinced of good faith of Fernández and do not think he would make this request unless it really meant something to him and administration. If at all possible I would suggest that I be authorized to inform him of some concessions in this matter but I do not insist. I do, however, feel that I must insist in the increased wood pulp quotas.

[18] Sociedad Electro Metalúrgico Argentina.

The Department will realize that the Chilean picture is spotted and that a real danger exists here of a military coup because of constant conspiratorial activity of Axis through Argentina. The Government is doing everything in its power to prevent it and has so far succeeded but I consider the situation is still delicate and we must not do anything which can be used by our enemies to aggravate it. Economic curtailments strike everyone down the line from the Government and capitalist to the laborers and we must make them with the greatest perspicacity to avoid injuring our own best interests and post-war trade. For example, it has been rumored here recently that state railways unable to obtain loans in the United States to cover purchases of needed equipment, have turned to Great Britain and are now negotiating a barter agreement involving an exchange of nitrate for railway equipment. In this connection the Nitrate Sales Corporation here feels that it obtained from the State Department what amounted to a veritable promise that nitrates above the 700,000 tons would be purchased by United States. Consideration might be given to purchase of additional nitrate if Chilean state railways will purchase in the United States substantially corresponding value railway equipment. Am aware we do not like arrangements which smack of barter although there is certain similarity to barter in Lend-Lease and reverse Lend-Lease. Chileans are essentially traders and we must keep point in mind in dealings with them and it is well to have in hand a *quid pro quo* even if not presented as such in effecting transaction.

In conclusion I entreat that my views be given utmost possible consideration consistent with prosecution of war. I ask prompt upward revision of wood pulp quotas, authority to revise overall agreement for minerals along lines my 21 and my 39, and in general consideration of Chilean scene as whole and not piecemeal. Am doing my best to further advancement of good neighbor policy on firm foundation of mutual trust and mutual advantage. Great strides were made during past year but it would be easy to lose ground through ill-timed action or action which Chileans could feel inconsiderate. We must not give our enemies opportunity to refer to us as "fair weather friends".

BOWERS

811.20 Defense (M) Chile/619 : Telegram

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

WASHINGTON, January 11, 1944—7 p. m.

34. Careful study has been given to your Telegram No. 45, January 8, 1 p. m., in reply to the Department's No. 11, January 4, 6 p. m.,

which instructed you to take steps looking to the cancellation of the United States-Chilean copper control agreement. The Department is alive to the delicacy of the situation as you describe it and has given the most sympathetic consideration to your view that you cannot approach the Foreign Minister on cancellation of the copper agreement unless you can convey to him some good news and that an increase in the wood pulp quota would give you this opportunity.

Wood pulp is now one of the most critical of all commodities. The shortage is so severe that the scarcity is being felt keenly by the press in the United States, which is objecting vociferously to the cuts in newsprint supply which they have had to suffer and which are curtailing their newspaper output. An equally serious situation exists in several of the other American republics. Every effort has been made and will continue to be made to give Chile its equitable share of wood pulp or newsprint. Nevertheless, owing to the Department's respect for your recommendation in the matter and because it is essential that steps be taken promptly to terminate the copper agreement, the Department has, as an extraordinary measure of cooperation with Chile been able to obtain assurances of a total additional allocation of 4,000 tons of chemical grade wood pulp for 1944. Eight thousand tons had already been allocated and the Department has reliable information that approximately 8,000 tons are now on hand in Chile. Thus, the amount to be shipped during 1944 would total 12,000 tons which, added to the 8,000 tons estimated to be on hand in Chile, provides Chile with a total of 20,000 tons. You may inform the Foreign Minister of this increased allocation, stressing that it has been made as a friendly gesture and at considerable sacrifice. It is too late to change production schedules for the first quarter of 1944, but during the second quarter of the year arrangements have been made to step up output for Chile by an additional 1,000 tons, the remaining 3,000 tons to be distributed over the last 6 months of 1944. It is simply impossible to obtain more without running a serious risk of repercussions elsewhere, both in this country and abroad. The additional 4,000 tons will, however, give you the trading card you desire.

Please proceed as soon as possible to have the copper control agreement terminated, bearing in mind the points made in the Department's No. 11 of January 4, 6 p. m. With respect to the Argentine aspects of the situation, please emphasize to the appropriate authorities that although once the agreement be terminated Chile would be released from its control obligations, it is nevertheless your Government's strong conviction that it would strike a most discordant note if at this time of stress in respect of relations between Argentina and the other American republics (accompanied by the Bolivian crisis) Chile were to furnish Argentina with amounts of copper other than

that essential for public health and safety. This will give you the Department's point of view also for use in connection with the brood mare barter deal.

I know that you will underline in your conversations the cooperation which we extended in helping to build up the Chilean copper fabricating industry and once released from the agreement, this can prosper even more; also that we are ready to do all we can further to cooperate in this and related situations aimed at broadening Chile's economic base.

Please telegraph the Department when you have placed this matter before the appropriate authorities and state how soon the cancellation may become effective.[20]

HULL

811.20 Defense (M) Chile/610 : Telegram

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

WASHINGTON, January 11, 1944—8 p. m.

35. Most careful consideration has been given to your Telegram No. 21 of January 4, 6 p. m., and to your supplementary message No. 26 of January 5, 2 p. m.,[21] in reply to the Department's No. 4, January 1, 10 p. m., which communicated to the Foreign Economic Administration's representative in Santiago instructions from his principals concerning the purchase of metals in Chile. Also particular reference is made to the Department's Telegram No. 6 of January 3, 4 p. m., which was sent to communicate personally to you the Department's conviction that unless prompt steps are taken to avoid the rapid accumulation of stockpiles both in the United States and abroad, there will ensue more radical reduction of production on short notice than would be the case if we now face the problem of discouraging uneconomic marginal production in a way which will enable the orderly reduction of high cost subsidy production which would never have come into being had it not been for the war. This telegram indicated that the same problem exists in other of the American republics and in the United States.

The Department laments the unwarranted and alarmist reports which have appeared in the Chilean press and which are most misleading. These have undoubtedly been seized upon by interests which seek thus to create a diversion of excited public and governmental opinion to preserve for them a further period of high income which in the long run would react against the broad cross-section of mineral

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[20] See telegram 78, January 12, 7 p. m., p. 718; in telegram 94, January 13, 1944, 8 p. m. (not printed), Ambassador Bowers predicted that cancellation of the copper agreement would be accomplished before long (825.24/1689).

[21] Telegram 26 not printed.

production as well as against the interest of the Chilean Government and people. It is to be emphasized that in so far as Chile is concerned the outlook for the next 12 months is that curtailment in production will be slight. The quantity affected by the proposed reduction is only a part of the insignificant marginal Chilean ore and concentrate output which was stimulated to obtain for war needs every possible ounce of copper. To meet this drastic peak need we were willing to pay prices which were inflated and exaggerated. The copper stock position is not so comfortable that sweeping cuts will be made in the near future. It is, however, now clear that the peak has been reached and that stocks will tend to accumulate. As the war progresses this tempo will become more and more rapid. Unless plans are laid now to get these marginal producers out of the market in an orderly way before large stocks of copper accumulate, the problem of re-adjusting the Chilean copper industry to normal peacetime operations will be greatly accentuated. If, however, by a planned gradual reduction in prices paid for subsidy ores and concentrates this production can be forced out of the market naturally, Chile will not be confronted with a sharp curtailment and the small amount of labor displaced at this time can gradually and normally be absorbed in other pursuits.

As has been indicated, this is not a problem which is peculiar to Chile. In fact, owing to the importance to Chile of the copper industry, we are moving forward with great caution and reserve. The course which has already been taken in several other countries and which will progressively be taken to a great extent in the United States (in the face of strong domestic political pressure during 1944) is out and out cancellation of contracts which have closed or will close marginal mines. The formula of gradual price reductions on subsidy output was elected for Chile precisely to avoid the necessity now of any such sweeping action. There is much marginal production in the United States which will be curtailed and our position domestically would be untenable were we in the face of resolute but orderly reduction at home to take no coincidental steps looking to orderly reduction abroad. The action which is proposed in Chile is indeed a mild one and is in the interest of Chile and its Government. We would do them a disfavor were we not to endeavor to work this matter out in a spirit of mutual respect and confidence.

The best evidence which Chile can have of our good faith is the fact that the Department's Telegram No. 4 of January 1, 10 p. m., authorized the purchase on purely cooperative grounds of 40,000 long tons of manganese. There devolved on this Government no obligation to purchase this manganese. Nevertheless the Department and the Foreign Economic Administration respect your recom-

mendation and in an effort to meet your sense of need in the situation have authorized the purchase which will enable orderly liquidation. It is just such orderly liquidation that is sought in the case of the marginal copper ores and concentrates.

You will recall that the Department has informed you both by telegrams and in copies of memoranda of conversation that this matter has been discussed fully with the Chilean Ambassador.[22] The Ambassador has been most understanding; has promptly agreed to the necessity of our facing the problem squarely at this time, and has so telegraphed his Government. In the Ambassador's absence the Counselor [23] was called to the Department on January 7 and was informed fully of the situation as I have outlined it to you. The Ambassador has now returned, has again spoken with the Department and says that he is again telegraphing his Government.

It is most regrettable that the February 1 deadline for semiannual revision of prices under the Chilean purchase agreement projected this situation into the foreground at a time when political conditions in Argentina and Bolivia are so critical. This is a factor beyond our control. If the Government of Chile and the private interests concerned face the issue squarely they cannot but agree with the wisdom of a far-sighted program characterized by an ounce of prevention to save many pounds of cure later.

I have given you this extensive background so that you may use it to place the problem before the appropriate people in its proper light and perspective and to abate the ill effects of the alarmist stories which have appeared in the press and to dispel the hysteria which has arisen. I do not want to hold out to you undue hope that action can be delayed but I will welcome your further thoughts on the subject once you have had an opportunity to study this message. It is to be borne in mind that if we were to make an exception in the case of Chile, it would place us in an untenable position in other countries where out and out cancellations have already been made and accepted (albeit reluctantly) and that there would be severe repercussions in the United States.

I have every confidence that you will accommodate the situation in a way which will be satisfactory to both Chile and the United States and am relying completely on you.

Your Telegram No. 39, January 7, 4 p. m., from the Foreign Economic Administration representatives to the Foreign Economic Administration here has been carefully considered in connection with the foregoing and a reply on the specific points made therein is now under preparation and will be forwarded as soon as possible.

HULL

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[22] Rodolfo Michels.
[23] Mario Rodríguez.

811.20 Defense (M) Chile/621 : Telegram

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

SANTIAGO, January 12, 1944—7 p. m.
[Received 11 : 25 p. m.]

78. For Hull, Under Secretary and Duggan. The immediate cancellation of the copper control agreement presents one problem that is visually [*vitally?*] important to Chile and may easily involve her alone among the American nations in a very dangerous controversy with Argentina. Chile has been able to withstand demands for copper from Argentina on the ground that her agreement with the United States prevents it. Once openly declared that we have no say in the matter and that it is entirely up to Chile a refusal of Chile to sell to Argentina will amount to an open and probably very dangerous controversy between the two countries. Since Chile is the main object of the Nazi Argentine conspiracy do we want to confront Chile among all the American nations with this dilemma? Cannot some formula be found through which Chile cannot because of her agreement with United States sell to Argentina? Please bear in mind that the pressure on Chile from Argentina would be tremendous, with money mad Chilean individuals of consequence eager to make millions by dealing with Argentina, and with threats of bringing disputed boundary matters et cetera to the fore. We are all agreed here that this would be asking more of Chile than of any other American nation though she has a common boundary and many problems. If Chile is attacked from Argentina as a result are we prepared to support her? Have not yet discussed this matter with Fernández and would like your very early reply.

BOWERS

811.20 Defense (M) Chile/622 : Telegram

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

SANTIAGO, January 13, 1944—4 p. m.
[Received 9 : 12 p. m.]

84. For Hull, Under Secretary, Duggan and Bonsal. My secret telegram No. 78, January 12, 7 p. m. Referring to a possible reservation in regard Argentine in the cancellation of copper limitations agreement I did not mean a prohibition of amount such as is now sold to Argentine, but some reservation making possible for Chile to send beyond that amount to that country. Would it be possible to stipulate that Chile may sell in any amount she desires to any American nation engaged actually through a war declaration or a rupture with the

Axis and no other? So long as the United Nations continue to contribute to the unprecedented prosperity of Argentina by buying her products in enormous amounts are we in a very good position to ask Chile to refuse to sell copper to that country?

BOWERS

103.9169 Santiago : Telegram

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

WASHINGTON, January 15, 1944—5 p. m.

57. From Scheuer, FEA, for Low. Your No. 39, January 7, 1944. Have carefully considered your report and recommendations. Several general comments seem in order. You refer to the political stakes, but it must be remembered that FEA cannot purchase for political reasons except upon recommendation of the State Department. This entire subject was canvassed with the Department before our cable No. 4 [24] went forward. The Department has discussed the political aspects in their cable No. 35 of January 11 to the Ambassador.

You have referred to large tonnage of low cost Chilean copper we are receiving. This was considered before we made our proposal. We believe that Chile has benefited from our purchases and is as anxious to sell this copper as we are to buy. For your strictly confidential information, the time may be approaching when our needs of even Chile's lower cost copper will have to be reviewed. It is also our conviction that a gradual reduction in Chile's mine production and the avoidance of a later more abrupt curtailment are in Chile's interests.

In view of these facts and the fact that our additional purchase of manganese totals over twice the amount of the suggested reductions, together with the relation of our proposals to the over-all program of gradual reduction that is already taking place in other countries and in the United States, we believe these proposals should have been acceptable to the Chileans. Protests were anticipated. We have tried to be as moderate as possible in our consideration of this matter. You will realize that cut back or reduction in price at any time is not palatable but in the nature of the case, it is unavoidable.

There is merit in your suggestion of a somewhat longer notice of the change in copper price, but we do not consider 6 months postponement necessary. We are willing to agree to a renewal from August 1 on the terms indicated below. You are authorized to negotiate the February 1 revision as follows: For all minerals, except

[24] Telegram of January 1, p. 703.

copper and gold, follow the changes requested in our No. 4 of January 1. For copper ores and concentrates reduce prices May 1, 1944 by amount of increase granted February 1, 1943. On August 1, 1944 reduce by amount of increases granted August 1, 1942.

You omitted recommendations on gold ores. Reduce by 5 per cent on each of the above dates, May 1 and August 1, 1944.

You are also authorized to extend the over-all agreement for 6 months from present expiration, specifically reserving to the United States the privilege of reviewing and re-determining prices as of August 1, 1944. If the above decreases in copper and gold prices have been agreed upon, provision may be made that any further reduction as to copper or gold determined at the August 1 review will not be effective before November 1, 1944.

. . . . . .

[Scheuer]
HULL

811.20 Defense (M) Chile/621 : Telegram

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

WASHINGTON, January 15, 1944—6 p. m.

58. I have received and studied your Telegram No. 78, January 12, 7 p. m., with further reference to the cancellation of the United States-Chilean copper control agreement.

You say Chile has withstood Argentine copper demands on the basis of her agreement with the United States, and, owing to the fact that upon the termination of the agreement Chile were to refuse to sell to Argentina, serious controversy would result. You inquire whether some formula can be found through which Chile, because of agreement with the United States, can refuse to sell to Argentina.

The Department's Telegram No. 34 of January 11, 7 p. m., made it clear that it would strike a most discordant note at this time of stress in respect of relations between Argentina and the other American republics (accompanied by the Bolivian crisis) if Chile were to furnish Argentina with amounts of copper other than that essential for public health and safety, and the Department's Telegram No. 11 [24a] spoke of permitting the free export from Chile of fabricated copper to "all of the other American republics except Argentina". The Department would much prefer to see the agreement terminated in respect of all countries which have broken relations with or declared war on the Axis but that it be kept operative in so far as other countries are concerned. This would, of course, leave the agreement operative in so far as Argentina is concerned and should provide precisely

[24a] Dated January 4, p. 706.

the formula you seek. However, if out and out termination on the aforedescribed basis be not feasible it would be satisfactory for the time being if you could agree with the Chilean Government to leave the agreement ostensibly on the books with the understanding that it would be fully relaxed in respect of other countries in this hemisphere except Argentina. Perhaps you could in discussion with Fernández arrive at some other more acceptable formula which would achieve the objective of enabling Chile to sell more manufactured copper and at the same time not prompt the flow to Argentina of additional supply.

The Department appreciates the delicate position in which Chile finds itself in this matter, but feels that the recent replies to the Committee for Political Defense at Montevideo [25] (and other consultation on the subject of Argentina and Bolivia) have made abundantly clear the position of the nations of this hemisphere on Argentine pressure methods. Were each country to yield when there is risk of specific difference with Argentina, the preservation of unity of purpose or the achievement of concerted action would be rendered most difficult.

Please see the Foreign Minister as soon as possible and explore the situation with him, making it clear that what we seek is a formula which will enable Chile to meet any complaints which may arise from Argentina but which will at the same time attain our broader aims.

I am relying on you in this matter and shall appreciate your telegraphing me when and how the agreement may either be terminated or rendered inoperative except for Argentina.

HULL

811.20 Defense (M) Chile/636

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

No. 3794 WASHINGTON, January 26, 1944.

SIR: With reference to the recent exchange of telegrams on the subject of the Chilean over-all minerals agreement and the copper export agreement, we have received a letter from the Foreign Economic Administration, dated January 18, 1944, of which the salient features are quoted below because they appear to us to be a well-rounded presentation.

"Our proposed changes can hardly be considered to be dangerously large in themselves. The total amount involved in our proposed reductions (excluding molybdenum) is only about $400,000 for the six month period or six-tenths of one percent of our projected expenditures in Chile for minerals during that time.

"In the case of molybdenum the proposed reduction is very small and is apparently acceptable to the only seller, judging from our latest

[25] For correspondence on U. S. participation in the deliberations of this Committee, see pp. 1 ff.

conversations with Kennecott.[27] We are planning to contract for Braden's [28] entire molybdenum output at the lower price and to buy 750,000 pounds from this source instead of our obligation under the overall agreement of 370,000 pounds. Our total purchases of molybdenum during six months will be about $220,000 more than they would be if we limited ourselves to the overall obligation and left the price unchanged.

"A good deal of our program, even after the proposed reductions, goes beyond what we would be willing to do if we were taking a strictly commercial point of view. We have authorized the purchase of 40,000 tons of manganese at a cost of $822,000 which we do not require and which we are not obligated to buy. We are continuing to buy Chilean copper ores and concentrates at above the U. S. ceiling price and for the time being, to buy the output of Andes Copper Company at a cost above that ceiling at a time when present requirements might well justify a substantial reduction. Our purchase of gold ores and concentrates, even at the reduced price we have suggested, subjects us to a risk of loss which no business man would be willing to face on his own account. These facts should make it very clear to the Chileans that we are not placing our procurement on a narrow commercial basis and that there is nothing in our proposed changes to justify the conclusion that the United States Government from this point on is going to ignore Chile's welfare.

"In fact, we are convinced that the proposed reductions in price are actually beneficial to the Chilean economy. The present prices for copper and other minerals and the volume in which we purchase them must be adjusted sooner or later. If no reductions are made now and the change comes all at one time the economic effects on Chile would be very serious indeed. There are other sound economic reasons for a reduction in Chile's revenue from minerals which are hardly applicable to the present case because of the small amounts involved but would be applicable if, as now appears likely, it becomes necessary at a future date to reduce the quantity of copper bought from the large Chilean producers. Chile is suffering from a serious price inflation and the revenue received from exports to the United States has undoubtedly contributed toward that inflation. If that revenue is reduced at least part of the impetus toward a still further rise in internal Chilean prices would be removed.

"We pointed out in our cable to Chile [29] that the proposed reductions are part of an overall program being pursued in other countries and in the United States. The failure to put these reductions into effect in Chile would not only increase the difficulty of effecting reductions in other exporting countries but would create serious difficulties in implementing necessary domestic reductions. We need Chilean cooperation if we are to follow an intelligent overall program.

"Fair minded Chileans undoubtedly appreciate that the provision for semi-annual review of prices should work both ways. On two previous occasions we have granted price increases, which were justified by the war effort. Now we are asking that Chile grant decreases which are equally justified by the overall needs of the United Nations.

[27] Kennecott Copper Company.
[28] Braden Copper Company.
[29] Telegram 57, January 15, 5 p. m., p. 719.

"In his cable [30] the Ambassador referred to the difficulty of justifying any action which would reduce our purchases in Chile while we continued to ask Chile to limit the amount of copper she can sell to other countries. This point was anticipated. I understand that the Department concurs with the FEA in believing that the Copper Export Agreement should be cancelled, and it was my understanding that the Embassy had been informed of this view some days before the Ambassador's cable."

Very truly yours, For the Secretary of State:
DEAN ACHESON

President Roosevelt to the Ambassador in Chile (Bowers) [31]

[WASHINGTON,] January 27, 1944.

DEAR CLAUDE: I have received your letter of January 7, 1944, enclosing a copy of a telegram to the Secretary of State concerning the proposed termination of the copper control agreement. The situation is, as you say, delicate, particularly in view of the present Argentine and Bolivian political situations. It is, however, important that the copper agreement be terminated if possible or at least be rendered inoperative insofar as are concerned those other American republics which have either broken relations with or declared war on the Axis. You refer to the possibility of Argentine pressure on Chile to furnish copper. Were each country to yield when there is a risk of specific difference with Argentina, unity of purpose or action would be rendered most difficult. I am sure that an acceptable formula to adjust this matter can be found and am relying on you in this.

Very sincerely yours, FRANKLIN D. ROOSEVELT

835.24/2509 : Telegram

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

WASHINGTON, February 2, 1944—6 p. m.

129. The following telegram is being sent to the American Embassy at Buenos Aires:

"In view of the secret expropriation by the Argentine Government of copper stocks held by Argentine firms, as indicated in the Embassy's telegram no. 166 of January 19,[32] the Department feels that shipments of copper from Chile to Argentina should not be permitted in the absence of satisfactory assurance from the appropriate Argentine

[30] Presumably telegram 84, January 13, 4 p. m., from Santiago, p. 718.

[31] Copy of message obtained from the Franklin D. Roosevelt Library, Hyde Park, N.Y. A marginal note reads: "Signed original of this letter sent to the Office of the Secretary of State for delivery by pouch 1/28/44."

[32] Not printed.

authorities that importations covered by Certificates of Necessity will not be confiscated and that no copper will be delivered for any purpose to firms appearing on the Proclaimed List. Of course in so far as any copper from the United States is concerned, we have adequate control. However, on copper from Chile the concurrence of the Chilean Government would have to be sought.

"This has been repeated to Santiago."

The Embassy is requested to telegraph the Department and the Embassy at Buenos Aires whether the Chilean Government is willing to follow the proposed procedure outlined in the above message.

HULL

835.24/2544 : Telegram

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

SANTIAGO, February 9, 1944—1 p. m.
[Received 6 : 58 p. m.]

256. By further consultation relation to disposal of the copper control agreement, the Under Secretary of Ministry of Economy and Commerce yesterday agreed to request his Foreign Office to instruct the Chilean Ambassador in Buenos Aires to seek assurance from the Argentine Government to the effect that future copper shipments to that country will not be appropriated or diverted to firms on the Proclaimed List.

He stated that the Chilean Government would agree to give assurance to the United States that copper will be exported only to satisfactory consignees upon the termination of the copper control agreement so he saw no objection to the foregoing as a condition precedent.

Repeated to Buenos Aires.

BOWERS

103.9169 Santiago : Telegram

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

WASHINGTON, February 19, 1944—4 p. m.

219. From Nitze and Bateman,[33] FEA, for Low. Your 261, February 10, 9 p. m.[34] The following is our position after careful consideration of your recommendations:

1. We can not agree to extension of agreement by 1 year as recommended. This would bind the United States for 18 months from February 1st at a time when no other overall agreement runs more than 6 months and when we are asking Mexico to agree to a provision

[33] Alan M. Bateman, Assistant Manager, Foreign Procurement and Development Branch, Foreign Economic Administration.

[34] Not printed.

for cancellation at any time on 3 months' notice. However, we are still willing to renew for 6 months from August 1st, 1944 with review privilege as described in our 57 [35] and as modified below in connection with copper and gold.

2. If Chileans prefer, you are authorized to agree to mercury price which will always be based on the price being paid in Mexico. We have no fixed mercury price in Mexico. At present, price is determined in advance by us for half monthly periods. We have already announced price for first half of March, which is $125 per flask at Laredo, duty for buyer's account. For your information, this method requires our estimating probable course of New York market price. That price is now about $135. The Mexican price will be reduced until market stabilizes and until differential between it and New York price is sufficient to cover shipment costs and duty, when it will be determined directly by the New York price.

3. We do not think the Chilean proposal or your recommendation on copper price take sufficient account of the present situation. The elimination of the two increases previously granted would bring price only down to around 16 cents on shipping ores and 14 cents on shipping concentrates compared with the ceiling price of 12 cents. Under your proposal, one year would be required to eliminate one-half of the present price above 16 cents. Please repeat to the Chileans the proposal in our 57. However, if a compromise is essential, you are authorized to accept the following schedule: a cut of 5% and 2½% respectively on each of the following dates, May 1, June 15, Aug. 1 and Sept. 15 with latter price to be effective until Nov. 1. Price for November 1 left open for later determination.

4. You have suggested we continue to buy gold ores and concentrates if analysis of costs indicates we suffer no monetary loss. Our latest analysis shows the following. Based on present smelter charges margin between average price we pay and smelter proceeds only $4.32 per ton of ore and $1.26 per ton of concentrates to cover all freight costs, etc. If smelter charges are reduced after war, margin would be larger but storage costs and interest would be incurred. However, we gather that your analysis of costs shows different result. In order to expedite conclusion of agreement you are authorized to extend purchases until August 1st, 1944 at present price with understanding that we are not obligated to buy beyond that date and that gold ores and concentrates are not included in the 6 month extension; also provided all our other terms are accepted. [Nitze and Bateman.]

STETTINIUS

[35] Telegram 57, January 15, 5 p. m., p. 719.

811.20 Defense (M) Chile/3–644

Memorandum From Paul F. Linz, Adviser on Raw Materials, Production, and Resources, to the Special Adviser on Supplies and Resources (Taft)

[WASHINGTON,] March 6, 1944.

The attached No. 396 of March 3, from Santiago,[36] seems to me to be important. If the Chileans already feel that we are not cooperating, what will they do if at some later date we discontinue or sharply reduce our purchases of copper?

From a material standpoint, the only signs which the Chileans have of what they call lack of cooperation are as follows:

1. *Nitrates.* Having purchased a million tons for the crop year ending June 30, 1943, we are only buying 700,000 tons for the crop year ending June 30, 1944. It is questionable whether we need that much; in any case, substantially less than 700,000 tons would have been bought if the State Department had not brought its influence to bear on the interested procurement agencies.

2. *Manganese.* Chile having produced far in excess of the tonnage provided for in our purchase contracts because of the high prices which we pay (these prices were doubtless deliberately paid to stimulate production), we bailed out the Chileans by entering into a contract early in this year for an additional 40,000 tons so as to allow them to dispose of manganese already produced and to continue to produce for a few months more, thus enabling them to close the mines on a more orderly basis. This was done notwithstanding the fact that only a few thousand tons of the manganese purchased from Chile have been shipped because of lack of available steamers. At the time the latest contract was made, over 200,000 tons of manganese, paid for by Metals Reserve, were still in Chile. Since our position is eased on manganese, there is little likelihood that steamship priorities will be available for the movement of this tonnage, plus the additional 40,000, during the war.

3. *Copper.* Having increased our purchase price several times for high cost Chilean copper ores and concentrates until we were paying more than the equivalent of twenty cents for the copper, we have recently been negotiating to cut the price in slow stages. This has caused a tremendous hue and cry, notwithstanding that copper coming from these mines represents less than three per cent of the total copper we buy from Chile.

4. *Gold Ores and Concentrates.* We have continued to buy these, although were we to ship them under existing conditions of high freights and insurance, the cost of the gold would be more than $35

[36] Not printed.

per ounce. They are, therefore, being stockpiled in Chile in the hope that after the war the lower shipping charges will result in their costing not much more than $35 an ounce. It probably will cost us somewhat more because storage charges in Chile automatically will raise our final cost.

Unless some broad stockpiling legislation is passed which carries with it the approval of continued purchases of low cost copper (which means the major portion of Chile's copper), WPB at some point, probably during the present year, will in its directives reduce the quantity of copper which FEA may buy abroad. Whenever war ceases, either in Europe or the Far East, WPB of necessity, under its present powers, will cease to give any directives for copper purchases abroad. It will be seen from this that our relationship with Latin American countries will be greatly affected by whatever decision is made, to continue purchasing or discontinue purchasing materials once they are no longer needed for war purposes. This will be true not only in the case of Chile, but also Mexico, Bolivia, and Peru so far as minerals and metals are concerned.

835.24/2622 : Telegram

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

SANTIAGO, April 3, 1944—5 p. m.
[Received 9 : 13 p. m.]

622. In response to request for assurances against diversion of copper, reported in the Embassy's telegram No. 256 of February 9, 1944 and airgram A–141 of February 22, 1944,[37] the Chilean Foreign Office has now received a cable from its Ambassador to Argentina to the effect that the Argentine Ministry of War is disposed to agree that any copper or brass imported from Chile for the use of the Argentine Army workshops will be fabricated exclusively by them, and that this assurance could be given by the Argentine Foreign Office or by a certificate by the Ministry of War given to the sellers for each order.

This formula begs the question of general assurances, expropriation, recognition of the Proclaimed List and only by indirection covers the partial processing of copper by Sema. It might, however, suffice to justify shipment of copper manufactures, which are of prime interest to the Chileans, reserving approval of refinery shapes or semi-manufactures until the desired general assurances are obtained. Orders reported in airgram No. A–175 of March 18,[38] at least for material under 8 millimeters in thickness, would fall in the category

[37] Latter not printed.
[38] Not printed.

of completed manufactures. Under any circumstances all individual consignees would be cleared with the Embassy at Buenos Aires.

Unless it is considered expedient to resist all copper shipments to Argentina as a means toward our major political objectives, acceptance of this formula at this time to permit shipment of only completed manufactures is favored by this Embassy, particularly as shipments would be limited to production capacity roughly estimated to be from 300 to 500 tons monthly. Should the Department concur, the Embassy will couple this with formal modification of the copper control agreement as authorized, and endeavor to obtain a commitment for shipment of essential requirements of copper refinery shapes to Brazil and Uruguay. A telegraphic reply is requested.

Repeated to Buenos Aires.

BOWERS

835.24/2622 : Telegram

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

WASHINGTON, April 10, 1944—5 p. m.

418. The Department and FEA have considered Embassy's telegram no. 622 of April 3, 5 p. m. and believe that formula developed by Chilean Ambassador to Argentina and Argentine Ministry of War, although not completely satisfactory, is sufficient assurance to proceed without further delay with negotiations terminating Copper Agreement.

After reviewing Embassy's despatch no. 9210 of March 21, 1944,[39] Department and FEA believe that Brazil and Uruguay can best defend their own interests in securing essential refinery shapes from Chile and that it would only complicate matters for Embassy to attempt secure commitment of exports to those countries, while at this time we are anxious for clean and complete termination Copper Agreement. Embassy at its own discretion can express verbally to Chilean foreign office that this Government hopes Chile will give Brazil and Uruguay ready access to refinery shapes for essential purposes and Embassy may also care explain situation informally to Brazilian and Uruguayan Ambassadors. Please notify immediately when Copper Agreement is terminated so that other embassies can be notified to cease transmitting copies import recommendations through Santiago.

Department leaves it to best discretion of Embassy how to screen in advance copper shipments to Argentina after Agreement has been terminated.

HULL

[39] Not printed.

811.20 Defense (M) Chile/653

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

No. 9693 SANTIAGO, May 12, 1944.
[Received May 23.]

SIR: I have the honor to report that negotiations for the termination of the United States-Chilean agreement for the control of copper exports have culminated successfully in accordance with the several instructions from the Department, with particular reference to telegram No. 418 of April 10, 1944. There are enclosed [40] copies of the Embassy's Note No. 2385 of April 26, 1944 and of the Confidential Note from the Ministerio de Relaciones Exteriores No. 26 of May 3, 1944, together with translation thereof. Also enclosed are copies of instructions, in Spanish and English, by the Ministerio de Economia y Comercio to the Consejo Nacional de Comercio Exterior outlining special procedure to be followed in the issuance of export permits for copper and copper base alloys to Argentina, and a letter from the Ministerio informing the Embassy of instructions given to the Chilean diplomatic missions in the other American republics to consult with our missions concerning the desirability of proposed consignees before approving any certificates of importation for Chilean copper.

It should be noted that the exchange of notes provides only for outright termination of the existing agreement, and that safeguards for future shipments of copper from Chile, although collateral to the exchange of notes, have been provided for in a less formal manner. The Embassy believed this segregation advisable as the Chileans showed a disposition to modify the agreement rather than cancel it completely on the theory that its existence could be used as a springboard to a discussion in Washington of future marketing arrangements for Chilean copper and copper manufactures. It was pointed out that any such discussion would probably be better received once the subject agreement was in the category of finished business.

With regard to future shipments of copper, Chile proposes no quantitative limitation of exports of copper manufactures and inasmuch as import recommendations are required by the other American republics, it proposes to have these authenticated by its diplomatic representations as a condition precedent to the issuance of export permits in Santiago in which process our missions will be consulted. Although the same procedure will be followed for shipments of raw copper, there is less desire to approve its export.

As instructed in the Department's telegram under reference, the Embassy has suggested to the Brazilian and the Uruguayan Ambassadors that diplomatic representations might be in order to seek for

[40] Enclosures mentioned in this despatch not printed.

Brazil and Uruguay, respectively, quotas of copper refinery shapes representative of their minimum essential requirements, and our missions in those countries have been so informed.

Respectfully yours, CLAUDE G. BOWERS

811.20 Defense (M) Chile/652

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

No. 9698 SANTIAGO, May 12, 1944.
[Received May 23.]

The Ambassador has the honor to transmit for the Department's information and records copies of notes [41] exchanged recently between the Embassy and the Chilean Government amending the overall metals and minerals purchase agreement and providing for its extension in amended form until January 31, 1945.

It will be observed that it is stated in the penultimate paragraph of the Chilean Government's note that "in view of the severe repercussions these reductions in prices will cause the national mining the Government of Chile proposes, when considering economic relations with the United States, to initiate new negotiations with a view to finding a solution of this and other problems".

Representatives of the small miners have received the amended agreement with no inconsiderable dissatisfaction and protest. They contend that the new prices for copper ores and concentrates will not permit many properties to operate at a profit and that the discontinuance of manganese, gold ore and gold concentrate purchases after next August will cause widespread unemployment.

The adoption at this time by the Chilean Government of a realistic policy with respect to the small mining industry would gradually tend to eliminate many of the marginal and uneconomic producers. It is unlikely, however, that the authorities will consider such a policy but instead will seek to obtain a restoration of the cutbacks in the prices and an agreement with the United States to continue purchasing manganese, gold ore and concentrates, for a further period. Failing in this the indications are that serious consideration will be given to supporting the small mining industry either by subsidy payments to be financed out of a tax on the copper produced or exported by the American companies or by the formation of a copper sales and export corporation organized and operated along the lines of the entity set up some ten years ago for the sale and export of nitrate and iodine.

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[41] Not printed.

825.6352/6–1444

Memorandum of Conversation, by the Chief of the Division of Financial and Monetary Affairs (Collado)

[WASHINGTON,] June 9, 1944.

Participants: Ambassador Michels, Messrs. Acheson,[42] Wright [43] and Collado

The Ambassador called at Mr. Acheson's request. Mr. Acheson indicated that the copper companies had brought to the Department's attention the proposal of the Chilean Minister of Finance [44] that the companies bear the interest expenses of Chilean dollar bonds to be issued in an attempt to counter-act inflationary tendencies. The proposal is that for each dollar deposited by the copper companies in the purchase of their peso requirements the Chilean Treasury issue eighteen months obligations bearing 6% interest. The obligations would be sold for pesos but would be redeemable in dollar at the rate of 25 pesos to the dollar. The copper companies are being asked to pay the interest charges on a total issue not to exceed 30 million dollars.

Mr. Acheson stated that the Department was sympathetic to the basic inflation problem but felt that the proposal was unfortunate from two points of view:

1. It applied a discriminatory burden on the American copper companies in order to settle a general Chilean problem.
2. It was a measure intending to increase the cost of production of copper which might have unfortunate consequences when Chilean copper had to compete in world markets against copper produced in other areas. The Ambassador after discussion agreed that the increase in dollar balances in Chile and the accompanying increase in the pesos in circulation in Chile were phenomena attributable to the entire balance of payments in Chile and not specifically to copper exports, and that consequently the problem was one affecting the entire Chilean economy.

With respect to the competitive position of Chilean copper he repeated the familiar argument that the best thing we could do about that would be to remove the four cent excise tax. It was pointed out that this would influence the Chilean copper in the United States market but that the general competitive situation existed anywhere in other world markets.

There followed a rather lengthy discussion of the Chilean inflationary situation and a number of measures were suggested for consideration in connection with the general problem. These include:

[42] Dean Acheson, Assistant Secretary of State.
[43] James H. Wright, Assistant to the Director, Office of American Republic Affairs.
[44] Arturo Matte Lorrain.

1. The issuance of Chilean Treasury obligations, interest charges being borne by the general funds of the Chilean Treasury.
2. Granting permission to Chilean citizens to acquire dollar balances for investment in the United States or to be held for future purchases.
3. Sale of physical gold in Chile.
4. Increasing the reserve requirements of member banks in Chile.
5. Any measures to purchase foreign obligations of Chile held by foreigners, or to purchase other foreign assets in any country.
6. Direct price control.

It was indicated that the United States would be prepared to furnish any technical assistance which the Chilean Government might request in connection with price control.

The Chilean Ambassador raised the question of whether it would be possible to devise some system whereby exports of capital goods to Chile might be increased either immediately or in the future. This would absorb dollars or at least might result in dollars being sterilized for future purchases of capital goods. There was some discussion of possible deferred rating systems in this connection and it was agreed that Mr. Mario Illanes of the Chilean Embassy would discuss the matter in more detail with Mr. Knox, Chief of RAR.[46]

The Ambassador stated that he would inform his government of these developments and would request a further meeting subsequently.

811.6352/7–844 : Telegram

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

WASHINGTON, July 8, 1944—6 p. m.

790. Please present to Ministers of Foreign Affairs and Finance the Department's views regarding the demands of the Chilean Government against the copper companies:

(1) Subject should be introduced by mentioning that in conversation of June 9 between Assistant Secretary Acheson and Ambassador Michels (memorandum of which was sent to you[47]), Michels stated that he would present the Department's views to his government and request a further interview upon receipt of reply. No further word has been received by the Department from the Chilean Embassy.

(2) The Department understands Minister of Finance is pressing copper companies for decision this week. Department is at a loss to understand this action in view of the fact that the Chilean Government has made no further approach to Department as mentioned above.

(3) Department believes the present proposal to be discriminatory. The problem is a general one and the burden of solution should be borne by the Government of Chile and Chilean economy generally.

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[46] Charles F. Knox, Chief of the American Republics Requirements Division.
[47] *Supra.*

(4) Increased cost of production at Chuquicamata would have to be borne directly by the United States Government. Thus the results of the contemplated Chilean action would have to be considered at once by the United States Government in making its plans for purchases of Chilean copper in the coming months.

(5) It should also be pointed out that by an undue increase in the cost of production, the Chileans will make it more difficult for Chilean copper to compete in the world market, thus in the long run seriously jeopardizing one of their two principal sources of livelihood, as well as the American investment in the Chilean copper companies. Under such conditions, this Government could not be expected to make continued and vigorous efforts to assist Chile in this general matter.

In connection with the foregoing presentation of the Department's views, you and Brooks [48] will undoubtedly want to be particularly careful in presenting the last point in order to avoid any implication that the Department is proposing to retard any reasonable advance in the position of Chilean labor.

HULL

825.6352/7–2044

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

No. 10273 SANTIAGO, July 20, 1944.
[Received July 29.]

SIR: I have the honor to refer to the Department's confidential instructions nos. 4182 and 4236 of June 14 and July 5, 1944,[49] respectively, and to two strictly confidential telegrams sent subsequently to this office, all relating to recent demands of the Government of Chile for financial assistance from American copper companies.

There are attached, for the Department's information and records, a copy of a letter, based on the Department's telegram of July 8, which I handed to the Foreign Minister on July 12; a copy of a memorandum by Mr. J. F. Franki [50] describing an unexpected but very interesting interview with the Finance Minister on July 14; and a copy of a memorandum describing a subsequent conversation between Dr. Herman Max of the Central Bank of Chile and one of the Embassy's officers concerning the Government's plans for selling the copper companies' "cost of production" dollars to the Chilean public in an endeavor to combat further monetary inflation in this country.[51]

In a conversation on July 19 with Mr. Frank May, Acting General Manager of the Chile Exploration Company, Mr. Brooks was informed

[48] Clarence C. Brooks, First Secretary of Embassy.
[49] Neither printed.
[50] Julius F. Franki, Special Assistant in the Embassy in Chile.
[51] None printed.

that the American copper firms had not yet received a written reply from the Government to the note which they jointly handed to the Finance Minister, but that the Minister had agreed verbally to accept the companies' terms, including the stipulation that the cash payment of $500,000, which the companies made jointly in return for the privilege of being permitted to buy pesos during the next six months to cover their costs of production in Chile, be a deductible item on their income tax returns for the current year. If this is actually allowed, the cost to the companies of this unusual operation will be substantially reduced.

The copper interests apparently also feel some hope that their cooperation with the Government in this case may give them additional grounds on which to base future opposition to the provisions of numerous bills now pending in the Chilean legislature which, if passed in their present form, would result in substantial increases in their labor and other costs.

As the matter stands, both the copper companies and the Chilean Government appear to be reasonably satisfied at having arrived at a temporary solution which enables them to defer further active consideration of the problem for six months at least. By the first of next year there may, possibly, be a greater demand for dollars in the local exchange markets. By that time, too, the Government will have a much better idea than it has now as to the actual quantity of dollars which it can expect to sell under the plan tentatively described in the attached memorandum.

Respectfully, CLAUDE G. BOWERS

811.20 Defense (M) Chile/8–2144 : Telegram

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

WASHINGTON, August 21, 1944.

925. ReDeptel 900, August 11, 1944.[52] If you see no objection suggest you advise the Chilean government USCC will not exercise the privilege, now available to it, of cancelling existing contracts for the purchase of gold ores and concentrates of Chilean origin. These contracts will therefore remain in force until February 1, 1945, or until such earlier date as total deliveries thereunder of material produced subsequent to July 31, 1943 equal 30,000 tons of ores and 24,000 tons of concentrates, the undelivered balance under the old overall agreement which expired July 31, 1944.

HULL

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[52] Not printed.

103.9169 : Telegram

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

WASHINGTON, October 30, 1944—7 p. m.

1116. From Crowley,[53] Bateman, and Miller,[54] FEA, for Schmidt, Graham,[55] and Miller. Our 1067, October 9 and your 1651, October 18.[55a] Please notify by November 1 all copper ore and concentrates producers and ore buyers with whom you have purchase contracts expiring January 31, 1945 that no contracts will be renewed after that date and notify Chagres Naltagua smelters their contracts will not be renewed after same date. Subsequent to notices we would like to make short term contracts preferably on fixed price poll basis with one or both smelters to complete smelting and converting all available untreated ores concentrates you may have on hand February 1.

. . . . . .

STETTINIUS

811.20 Defense (M) Chile/11–2044

The Chilean Embassy to the Department of State

1. The Chilean Government has been advised, officially, by the Foreign Economic Administration, that the United States Commercial Company will not renew the existing contracts to purchase the copper production of two small smelting plants located at Chagres and Naltagua, Republic of Chile. The contracts will expire on January 31, 1945.

2. Because of their supplementary relation to other commercial operations; the sacrifices to Chile involved in engaging upon them; and the effect that their compliance bears toward the general economy of the country; as well as the social importance inherent in their very nature, these contracts should be judged in their multiple and different aspects, instead of receiving consideration as merely another commercial transaction.

3. The ores used at the Chagres and Naltagua smelters were absorbed in the past, almost entirely, by the Japanese market, through a system of tariff and price arrangements which were very advantageous to the producers. However, Chile in no way objected to suspending these transactions as soon as Japan became an aggressor of the United States, although she did not obtain, in so doing, the com-

[53] Leo T. Crowley, Foreign Economic Administrator.

[54] Mehlon Miller, Liaison Officer of the Foreign Economic Administration with the Department of State.

[55] William C. Schmidt and Horace R. Graham, representatives in Santiago of the Foreign Economic Administration and of the Metals Reserve Company, respectively.

[55a] Neither printed.

mercial advantages heretofore enjoyed. This fact justifies the opinion that the contracts entered into with the United States Commercial Company should be worked out in accordance with their own terms with respect to expiration dates, but on the basis of equity and reciprocal collaboration they should be renewed until the termination of the war with Japan, when world markets are reorganized, enabling Chile to find in those markets other prospects without detriment to her collaboration status with the United States.

4. The minerals smelted at the two small plants referred to above are of low copper content, and originate mainly from deposits located in sections of the country where there are no possibilities for other productive industries. Should the purchases of this copper be suspended, it would of necessity paralyze work in a large number of mines of low mineral content located in sections deprived of other sources of livelihood, which would cause the unemployment of 30.000 people, as there would be no other work to give them, and this would bring to an end what is almost the only activity of three provinces.

5. The expenditure which these purchases represent for the United States Commercial Company, as compared to the standard of prices which may be obtained from other sources of production, fluctuate around two million dollars, an insignificant sum compared to the huge expenditure which would be suffered by the Chilean Government as a result of the following problems: *a*) unemployment of 30.000 workmen and their relief; *b*) curtailment of all operations connected with the supply of tools, provisions, etc. etc. for the production of this copper, with the resulting losses to a substantial part of the population attending to these needs; *c*) diminution, small but not to be ignored, of our supply of foreign exchange; *d*) extinction of economic activity in extensive localities, where the maintenance of work in poor mines constitutes the only source of income.

6. Although the copper produced at the Chagres and Naltagua smelters represents only 3% of the total copper production of Chile, the fact that this percentage is owned entirely by domestic interests, and represents a considerable percentage in terms of work and occupation, must be taken into account. The lamentable effect on our people, should they find that the production of copper strictly Chilean owned would be paralyzed as a result of the termination of these contracts, whereas the copper production of foreign companies, which have their own smelting establishments in the United States, will obviously be maintained, could not be underestimated.

Our laboring masses have a civic culture and a consciousness of current events, which made it possible for them to declare themselves freely during the world conflict in favor of the democracies, and direct their feeling of sympathy toward the United States and other nations which have borne the heaviest burden of this war. For this

reason it is extremely delicate to proceed adopting a measure which would affect in a grave manner precisely this very considerable part of the laboring masses. Seeing themselves forsaken by the United States the laboring masses might react in a spirit of disillusionment toward the democratic cause which they have helped even with personal sacrifices, very modest from the material viewpoint, but very significant from the moral viewpoint.

7. Chile has indicated the necessary steps for reorganizing her industry and adapting it to a different system than the one brought about by the war. The installation of a national smelter for minerals, with an electrolitic refinery, has been conscientiously studied, with a view to reduce the extent of cooperation required from the United States on the financial side of our copper operations. Nevertheless, for reasons deriving from the war itself, it has not been possible to carry out these projects, neither has it been possible, in other fields of activities, to prepare the transition from wartime to peacetime economy. These circumstances make it advisable to extend the contracts referred to for such length of time as the factors which are delaying the transformation of our economic activities continue to exist.

WASHINGTON, November 20, 1944.

825.24/12–144 : Airgram

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

WASHINGTON, December 1, 1944—7 p. m.

A–746. For the Embassy's information the Brazilian Government has placed an embargo on shipments of ferro-alloys to Argentina. Considerable pressure has been put upon the Brazilian Government by the Brazilian exporters to lift the embargo because of alleged shipments of such ferro-alloys from Chile to Argentina.

The following shipments from Chile have been submitted to the Department from the Embassy in Rio de Janeiro:

Ferro-manganese	38,000 kilos
Ferro-silicon	4,000 boxes

In as much as it has been necessary for the United States Government to ship to Chile 245,118 pounds of ferro-manganese, and 103,083 pounds of ferro-silicon, besides substantial quantities of other ferro-alloys, it is felt that the Chilean Government should keep the exports of these materials to a minimum where Argentina is concerned. It is hoped that further shipments to Argentina will not be made.

STETTINIUS

811.20 Defense (M) Chile/12–3044 : Telegram

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

SANTIAGO, December 30, 1944—5 p. m.
[Received 11:27 p. m.]

1988. United Press despatch from New York bearing yesterday's date line and prominently featured in Santiago press today states that according to an official of one of the most important United States copper companies Metals Reserve has already signed contracts to purchase Chilean, Mexican and Peruvian copper during first quarter 1945 at same prices as previously and in view of increased copper requirement contracts for second quarter probably will be signed early in February instead of early March as has been done heretofore.

Same source is reported to have declared current military situation has caused Washington to clearly see the reality of importance of copper and contracts will continue to be signed until at least end of European hostilities as there is no prospect of increased United States production due to shortage manpower; that London announcement that United States will acquire considerable portion Rhodesia output should cause no surprise as plan has been under consideration for protracted period; that there probably will be an abundance of cargo space for transportation Rhodesian copper in ships now supplying American installations in Africa, that United States for some time has been consuming Canadian copper and copper production of British colonies is greater than can be utilized by British industry.

Embassy is assuming that contracts reported to have been signed cover purchases from Braden and Anaconda mines in Chile. If assumption is incorrect please advise.

BOWERS

DISCUSSIONS BETWEEN THE UNITED STATES AND CHILE REGARDING TRADE CONTROLS AND SHIPPING PROBLEMS [56]

810.24/473b : Circular telegram

The Acting Secretary of State to Certain Diplomatic Representatives in the American Republics [57]

WASHINGTON, February 12, 1944—3 p. m.

The Foreign Economic Administration, with the concurrence of the Department, is sending airgrams proposing a further rollback of the Decentralization Plan which involves five commodity groups.[58]

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[56] For previous correspondence, see *Foreign Relations*, 1943, vol. v, pp. 862 ff.

[57] Sent to diplomatic representatives in all the American Republics except Argentina, Bolivia, Brazil, Cuba, and Mexico.

[58] For the text of this proposal, see circular airgram of February 15, 11 : 40 a. m., p. 653.

The Department believes time has arrived to initiate further progressive and orderly rollbacks of the Plan in order to eliminate excessive documentary controls in the field, to accommodate the changing production situation in the United States, and to avoid jeopardizing our future trade position by the continuance of documentary controls which are susceptible to developing into trade barriers which may throttle trade movement as the emergency diminishes. The aforementioned airgrams fully explain not only the proposed rollback but the general objective of effecting further simplification by July 1, 1944.

Regarding the immediate proposal for rollback on five commodity groups, the Department impresses on Embassy two observations: (1) The effect of this rollback, as in the case of the rollback on January 1, is to transfer licensing control back to Washington, which the Department believes is a step in the right direction preparatory to further simplification and; (2) with the exception of one group (repair parts) the rollback should not be interpreted as indicating a general increase in supply; it will merely afford greater flexibility within restricted manufacturing and supply conditions and hence may mean slightly greater shipments than possible under the decentralization procedure.

The Department is constantly reviewing the documentary controls here with a view to a simplification, and while certain wartime controls related to supply assistance on critical commodities will continue necessary so long as supply is restricted there is the hope that the form of these controls, as well as the number of documents required, may be simplified. In certain cases it may be possible on or shortly after July 1, 1944 to return more commodities to general license depending, of course, on the military developments.

The Department wishes to emphasize most strongly that missions should, in conversations with the foreign governments, stress constantly the desire that all unnecessary wartime controls as regards imports into those countries be eliminated, and that such minimum controls as may be considered indispensable at this time be simplified. This is in line with our established trade policy to liberate commerce from controls which have been made necessary by the war just as rapidly as war conditions permit, and to avoid wartime controls being continued beyond the period of the emergency. Acceptance of this general principle will facilitate negotiation of further rollbacks.

STETTINIUS

103.9169/2815

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

No. 9079 SANTIAGO, March 9, 1944.
[Received March 17.]

The Ambassador has the honor to refer to the Embassy's telegram no. 453 of March 7, 1944,[59] and to transmit herewith a copy and translation of the letter of March 7, 1944,[59] from the Chilean Country Agency (National Foreign Trade Council) expressing approval of the proposal to remove from the Decentralization Plan the commodities included in the five categories set forth in the Department's circular airgram of February 15, 1944, 11:40 a. m.[60]

It will be noted that in its letter of approval the Council indicates its desire to be kept informed currently respecting such quotas or estimates of supply as are established for Chile by the authorities in Washington. The National Foreign Trade Council wishes to use this information as a guide in the issuance of Exchange Permits, or Advance Import Permits, which must be obtained by importers in order to effect the purchase of commodities outside the country. The present exchange control procedure has been in effect in Chile for a number of years and will remain as a control over imports into the country after the proposed simplification of the Decentralization Plan has been made effective and Import Recommendations are no longer required. In applying this control, however, the Chilean Government wishes to take full advantage of available estimates of supply in the same manner as it has done in the issuance of Import Recommendations pursuant to the Decentralization Plan procedure.

The National Foreign Trade Council also indicates a desire to be informed respecting the rejection of applications for Export Licenses for commodities included in estimates of supply, and expresses the hope that the authorities in Washington will be guided by the Advance Import Permits (*Autorizaciones para Importar Previas*) issued by the National Foreign Trade Council when consideration is given to corresponding applications for export licenses presented to the Foreign Economic Administration in Washington. In regard to the latter point, representatives of the Council have suggested the possibility of a requirement on the part of the Foreign Economic Administration that applicants for Export Licenses involving shipments to Chile accompany their applications with a reference, by number, to the Advance Import Permit previously issued by the National Foreign Trade Council to the importer of the merchandise in Chile for each such shipment.

While the term "understood" is used in the penultimate and last

[59] Not printed.
[60] *Ante*, p. 653.

paragraphs of the letter from the National Foreign Trade Council, the substance of these two paragraphs should not be construed as a qualification of the Council's approval of the proposed simplification of the Decentralization Plan. The considerations outlined in the paragraphs in question were discussed informally by the Representative of the National Foreign Trade Council and Representatives of the Embassy prior to the drafting of the Council's letter and at that time it was suggested that in its letter approving the proposal of the Foreign Economic Administration, the Council might desire to set forth its wishes in respect to these matters. The Embassy agreed to ascertain from the authorities in Washington whether it would be possible to comply with the Council's wishes.

The Embassy would appreciate being informed respecting the reply which may be made to the National Foreign Trade Council in regard to the questions raised in this letter.

103.9169/3434d

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

No. 4036 WASHINGTON, April 24, 1944.

The Secretary of State refers to the Embassy's despatch no. 9079 of March 9, 1944 concerning the simplification of the Decentralization Plan and the questions raised by the Chilean National Foreign Trade Council in connection therewith.

The proposal advanced by the National Foreign Trade Council that "authorities in Washington will continue to give their support to the 'Advance Import Permits' issued by the Council, processing only those export license applications which have fulfilled this prior requirement" indicates a misconception on the part of the Chilean authorities concerning the objectives of the modification of decentralization. The modification was designed not to bring about a substitution of other documents for the controls which have been eliminated but effectively to eliminate them.

The Department is aware that the Chilean exchange and import control system is of long standing, and that the Chilean authorities may, for reasons which they consider valid, deem it necessary to maintain the system in force, despite the steps which are being taken by this Government to simplify necessary controls and to eliminate controls which have become unnecessary. The administration of the Chilean exchange and import control system is, however, a responsibility solely of the Chilean Government, and this Government could not appropriately assist in its enforcement, as suggested, by requiring that applicants for export licenses for shipments to Chile accompany their applications by evidence of issuance of an Advance Import

Permit to the importer by the Chilean National Foreign Trade Council.

The Embassy's attention is called to the last paragraph of the Department's circular airgram of February 12, 3 p. m., in which missions were urged to stress, in their conversations with officials of foreign governments, the desirability of removing all unnecessary wartime import controls and of simplifying such controls as may be considered indispensable. Actions designed to perpetuate such controls longer than is necessary, or to replace them by equally onerous "normal" trade restrictions, are counter to the views of this Government that a general relaxation of trade barriers is essential to the expansion of international trade in the post-war period.

The Embassy is requested to inform the Chilean National Foreign Trade Council of this Government's attitude as outlined above, and to keep the Department informed of further developments.

825.6363/401 : Telegram

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

SANTIAGO, June 2, 1944—8 p. m.
[Received June 3—3 : 17 a. m.]

960. The announced decision of the Petroleum Pool Committee that the present trip of the *Anibal* would be the last until late August has precipitated action by the Chilean Government to avoid the complete failure of gasoline supply.

The Embassy has been unofficially informed that the authorities regard the situation as so serious that President Ríos has directed the Foreign Office to instruct the Chilean Ambassador in Buenos Aires [61] to support oil companies' efforts to charter an Argentine tanker to carry gasoline for temporary relief on the Talara [62] run.

Despite drastic rationing measures effected June 1 initiated by Embassy pressure based on your A–264 of April 18 [63] anticipated gasoline arrivals will not avoid certain early supply failure predicated on less than pool consumption formula during June, July and August. Tanker *Don Pancho* ex-*Itororo*, now under repair and subject to chronic breakdowns. Present stocks Valparaiso now seriously under necessary operating minimum.

The present situation, regardless of causes, is regarded by the Embassy as dangerous and may very easily have political repercussions unfavorable to the United States. It is essential that immediate consideration be given to turning around the *Anibal* for another trip to

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[61] Conrado Ríos Gallardo.
[62] Seaport near the Chilean boundary with Peru.
[63] Not printed.

Chile in July substituting another tanker or as possible alternative assisting Chile charter an Argentine tanker for one or more voyages.

BOWERS

825.6363/401 : Telegram

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

WASHINGTON, June 5, 1944—8 p. m.

656. Any solution which might possibly be arranged to assist the short stock position of petroleum products created in Chile as a result of heavy over consumption would have to be predicated on a firm realizable commitment on the part of the Chilean authorities to maintain consumption during the remainder of this year within the limits of existing allotments. This refers to your 960 of June 2, 1944.

Chile has persisted over the entire life of the petroleum pool arrangement in flagrantly disregarding the equitable consumption limits applied to her petroleum product imports along the same lines accepted by all other members of the Latin American pool.

In 1943 Chile over consumed her civilian allotment of gasoline by 38%, kerosene 99%, diesel oil 65% and fuel oil 15%. In the first three months of 1944 her over consumption was respectively, 58%, 183%, 44% and 49%. It is evident that such extreme over consumption in the face of repeated warnings could not have other than a disastrous result as soon as it became necessary to discontinue the excess of products over formula quantities being delivered into Chile in an effort to provide her with emergency reserve of stocks. These stocks have been dissipated by unauthorized consumption and it is obvious that with the present and prospective tanker and product situation, Chile cannot continue to be supplied large additions to formula quantities. The rate of consumption in the civilian category in Chile in the first quarter of this year was equivalent to 63% of 1941 consumption whereas all other countries are limited to 40% of 1941 civilian consumption.

It is difficult to understand how a situation which is the exclusive responsibility of the Chilean authorities and results from their persistent disregard of numerous warnings can justifiably be a political responsibility of this country.

We are canvassing the possibility of relief measures but do not now see a solution. For obvious reasons we would not wish to resort to the chartering of an Argentine tanker and would have preferred the oil companies not to have suggested this possibility at least until it became evident that no other existed, especially since the problem is one of supply as well as transportation. There is no assurance at this time that products would be available to load such a tanker.

599-037—67——48

Is the Department correct in understanding that the prospective stock difficulty refers only to gasoline.

Please advise minimum gasoline requirements which in your estimation would avoid complete disruption of bus transportation.

STETTINIUS

825.6363/401 : Telegram

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

WASHINGTON, June 6, 1944—2 p. m.

659. Further in connection with your 960 of June 2, Department has just been informed that according to estimates of the local petroleum companies, which are believed to be reliable, existing stocks and scheduled arrivals will last until the middle of July if consumption is reduced to levels contemplated by pool formula quantities.

Assuming this is correct, it would be possible by means of limiting deliveries into consumption to 60 per cent of quota quantities to make stocks last until early August when normal pool supplies will be resumed. It is assumed that although 60 per cent of pool allotments represents a sizeable reduction, no serious harm to the Chilean economy would result during the short period of time in which the reduction would be in effect.

It would seem the part of prudence for the Chilean authorities to limit consumption to levels sufficient to make stocks last until early August. Meanwhile Department is continuing investigation of relief possibilities.

STETTINIUS

103.9169/3943 : Telegram

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

SANTIAGO, June 8, 1944—2 p. m.
[Received 4:17 p. m.]

995. For Foreign Economic Administration. Reference Department's circular airgram May 25, 11:15 a. m.[64] Country Agency has been consulted but must present matter of further roll back to a minimum positive list to Board of Directors for decision which is expected to be rendered about June 13. In the meantime, Adriasola, manager of the Country Agency, has assured Embassy that he believes the Country Agency will agree. As soon as possible after the definite

[64] Not printed; it conveyed a proposal to require import recommendations only for commodities on a positive list, effective July 1, 1944. The most important items listed were steel, cotton, rubber, rayon, wood, and their products (103.9169/3680a).

decision of the Board, the Embassy will inform the Department by telegraph.

BOWERS

825.6363/402 : Telegram

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

SANTIAGO, June 10, 1944—2 p. m.
[Received 8:56 p. m.]

1006. Reference your telegram no. 659 of June 6. The Department's estimate that pool formula consumption will virtually exhaust stocks July 15 is correct. Consumption at the rate of established June rationing of 39,000 barrels, as against May figure of 61,500 barrels and pool formula of 46,360 barrels, might stretch visible supply to August 1st figuring that the *Don Pancho* will bring 13,000 barrels about first week in July, providing repairs are completed. June figures entailed bids from May of 50% for trucks, armed forces, and industrial use, 10% for buses and taxis, and 90% for private automobiles. It is believed further reductions for even short period would cause serious repercussions.

Kerosene is also in short supply which may become critical if one of Chilean navy tankers now transporting this product should be diverted to transportation gasoline. Ministry of Economy is endeavoring to obtain use of Navy tanker for a single trip to Talara to alleviate the gasoline situation, but Embassy is not too sanguine over this possibility.

Information has been received from Argentina to effect that no tanker with or without gasoline obtainable there.

It has again forceably been represented to the Minister of Economy and Commerce [65] that the impending supply crisis is of Chile's own making, that rigid drastic rationing below pool formula is imperative, at least until August, that definite assurances should be given that consumption will be strictly curtailed to pool formula for the balance of the year.

BOWERS

825.6363/404a : Telegram

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

WASHINGTON, June 10, 1944—7 p. m.

676. Figures just received by the Army-Navy Petroleum Board and advised [*advices to?*] the Department indicate that allowing for the drydocking of the *Anibal* as now scheduled Chile will have available from June 1 to August 31 a total of 129,900 barrels of gasoline and

[65] Fernando Moller.

58,000 barrels of kerosene. These figures include June 1 stocks of 23,900 barrels and 49,000 barrels, respectively.

Since Chilean formula requirements, including in transit shipments to Bolivia for the tin mines, average 51,500 barrels and 6,600 barrels, respectively, per month, it is evident that a reduction of gasoline consumption during the period June 1 to August 31 by about 16% below quota will suffice to avoid exhaustion of stock until the arrival of the *Aníbal's* replacement the *Virginia* late August. In the case of kerosene it will only be necessary to limit consumption to pool formula quantities.

Since the pool formula quantities for gasoline and kerosene are based on generous supplemental allotments for various essential civilian activities plus 100 percent of war requirements, and since no convincing case recommended by the Embassy has so far established the necessity for increasing these allotments, and having further in mind the present critical supply situation, it is entirely reasonable to expect Chile to make the small 16 percent reduction below pool gasoline quotas during the 3 months' period referred to and you should urge the Chilean authorities to take such action.

STETTINIUS

825.24/1865a : Telegram

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

WASHINGTON, June 14, 1944.

692. Please reply immediately if Chile can be included in rollback decentralization announcement along with other countries on June 15.

HULL

825.6363/406a : Telegram

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

WASHINGTON, June 16, 1944—4 p. m.

704. Without departing from the basic principle that larger than quota quantities of petroleum products cannot be delivered to any country participating in the Latin-American Supply Pool, the Department is agreeable in view of the present internal political situation to arrange for products to be made available at Talara for the loading of two voyages of the Chilean Naval Tanker, the SS *Maipo*. Three voyages as requested by Chile can not be approved. It is understood that no products in excess of 44,000 barrels of gasoline

and 12,000 barrels of kerosene are to be loaded in total on both of these two trips. These quantities will as set forth in your telegram 1022 of June 13, 1944,[66] provide for pool quota quantities during the period from June 1st to the arrival of the *Anibal's* replacement, after making allowance for the unfortunate geographical division distribution of June 1st stocks.

The *Anibal* will be drydocked as planned at the conclusion of her present trip.

The foregoing is understood to be conditioned upon a firm realizable commitment from the Chilean Government assuring as from June 1st, 1944, the maintenance of the consumption of petroleum products in Chile within the pool formula allotments of all products. It should be made plain to the Chilean authorities that especially at this juncture of world military affairs, petroleum products from Talara or any other source of supply are not available in excess of pool quota quantities. The authorities should also be reminded, both the civilian and economic essential allotments are conditioned upon production and transportation availability and, depending upon developments in the petroleum situation, cannot be guaranteed as minimum quantities. Furthermore, because of the size of the tanker which is contemplated for assignment, as of late August, to the Chilean service in substitution for the *Anibal* it will be necessary to accumulate stocks in Chile in anticipation of a 2 to 3 months withdrawal of this vessel late in 1944 or early 1945. This withdrawal will not prejudice the delivery to Chile of total pool quantities of clean products. It will however be absolutely essential that the increased stocks be conserved for the period when the replacement vessel will be operating in other than Chilean service, since otherwise a situation of stock exhaustion would result for which no remedy could be assured. You should also make it clear to the Chilean authorities in this connection that the transportation, and supply situation at sources as well as Latin-American pool principles of equal treatment to all member countries will not permit the use of Chilean naval tankers or any other tonnage to result in supplying to Chile quantities in excess of pool formula quotas.

In view of the delicate situation involved with other members of the Latin-American pool, it is requested that you do your utmost to keep the granting of supplies for two cargoes for the *Maipo* from receiving any publicity.

HULL

[66] Not printed.

103.9169/4212 : Airgram

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

SANTIAGO, June 17, 1944.
[Received June 26—1 p. m.]

A–462. For Foreign Economic Administration. Reference Department's circular airgram May 25, 11:15 a. m.[67] and Embassy's telegrams 995, June 8, 2 p. m. and 1037, June 15, 11 a. m.[68]

The Country Agency has officially expressed its concurrence to the decentralization rollback to a minimum positive list of commodities which will require import recommendations effective July 1, 1944.

In regard to the positive list, the Country Agency has asked the Embassy whether the quota to be assigned to Chile of the commodities not included in the positive list will be made known to the Country Agency. The Embassy would appreciate being informed of the procedure to be followed in this respect in order that this information may be transmitted to the Country Agency.

BOWERS

825.24/1875a : Telegram

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

WASHINGTON, June 22, 1944.

726. Reference Embassy's no. 1067 of June 19.[67] Announcement of decentralization rollback for Chile was made in Current Export Bulletin no. 172 of June 17. Chile's concurrence was not received in time to be included in announcement of June 15 for other countries.

HULL

825.6363/408 : Telegram

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

SANTIAGO, June 22, 1944—9 p. m.
[Received June 23—4:45 a. m.]

1082. Reference Department's telegram No. 704, June 1 [*16*], 6 [*4*] p. m. At meeting yesterday with interested Chilean officials including Under Secretary of Economy and Commerce, Director of Petroleum Rationing and Director of Public Transportation, it was strongly reiterated to them that petroleum problem is one of product shortage as well as transportation. They were informed that cargo would be arranged for only one of the three proposed trips of Chilean Navy tanker; that Chile must give firm realizable commitment; that con-

[67] Not printed.
[68] Latter not printed.

sumption of petroleum products will be maintained within pool formula allotments without which Embassy would not be inclined to approach Washington for further assistance; that circumstances do not permit pool formula quota for economic essential allotments and civilian supply to be guaranteed or considered as minimum quantities; that reserve stocks must be accumulated from deliveries.

The meeting revealed that all Chileans present were not convinced of product shortage in Peru, particularly as reference was made to offer of Peruvian Government to supply gasoline, reported in Embassy's A–269, April 4 [*11*], 1944.[69] Publicity given that offer left impression with public of ample gasoline lacking only transportation, despite Embassy's repeated emphasis to Chilean Government to contrary.

Publicity given Chile's decision to use navy tanker, prior to request for cargoes, conveyed impression that problem was solved. At no time has there appeared in local press suggestion that imports were also restricted by availability of gasoline. To counteract this erroneous impression it would assist materially should Department release statements regarding present accentuated supply problem to wire services for publication here.

The subject of gasogenes for autobusses was again strongly pressed in the hope that it may result in effective governmental measures to extend their use. Pending development of assurances against over consumption no information was offered concerning second cargo on even contingent basis.

BOWERS

103.9169/7–744

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

[Extract]

No. 10147 SANTIAGO, July 7, 1944.
[Received July 18.]

The Ambassador has the honor to refer to the Embassy's airgram no. A–462 of June 17, 1944, and previous communications in regard to the rollback of the Decentralization Plan of Export Control to a minimum positive list of commodities which require Import Recommendations, effective July 1, 1944.

The Embassy has been informed that on Wednesday, July 5, the Chilean Country Agency (National Foreign Trade Council) directed an inquiry by telephone to the Commercial Attaché of the Chilean Embassy in Washington, Mr. Mario Illanes, regarding the observance of such quotas as may be assigned for the export to Chile of commodi-

[69] Not printed.

ties considered to be in tight supply in the United States. Subsequent to this telephone conversation, Mr. José Leniz, Assistant Manager of the National Foreign Trade Council, informed the Requirements Section of the Embassy that an arrangement had now been effected under which information regarding quotas established for Chile in the Foreign Economic Administration will be communicated to Mr. Illanes at the Chilean Embassy in Washington who, in turn, will forward information regarding these quotas directly to the National Foreign Trade Council for its use as a guide in the approval of *Solicitudes Previas* (requests for foreign exchange). Under the same arrangement, according to Mr. Leniz, full information regarding requests for foreign exchange granted by the Council will be transmitted to Mr. Illanes for delivery to the Foreign Economic Administration as a guide in the issuance of licenses for the exportation of commodities under quota to Chile.

As a further development in connection with the foregoing, the Embassy has today been informed by several prominent importers of American merchandise that they have been told by the National Foreign Trade Council that all pending requests for foreign exchange for the importation from the United States of commodities which no longer require Import Recommendations, will be held in abeyance pending the receipt from the applicants of detailed information corresponding almost exactly to that which formerly had to be furnished in the application for an Import Recommendation prior to the rollback. The importers who have encountered these difficulties in the past few days at the National Foreign Trade Council are anxious to obtain their foreign exchange permits in accordance with established procedures before placing definite orders with their suppliers in the United States. They know, however, as does the Embassy, that a number of less responsible importers in Chile are placing definite orders with suppliers in the United States on the off-chance that export licenses can be obtained by their suppliers and that upon the arrival of the goods at a Chilean port they can obtain the necessary exchange permit on an ex post facto basis. The importers who are following a policy of strict observance of established procedures are apprehensive lest their conservative method of obtaining the approval of importations before placing firm orders with their suppliers places them at a disadvantage vis-à-vis their less conscientious competitors, in that the latter may in fact be able to obtain commodities under Chilean quotas established in the United States to the point of exhausting such quotas before the more conservative importers can obtain the necessary approval of their requests for foreign exchange in advance of placing their orders with their suppliers.

825.6363/7-1544

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

No. 10222 SANTIAGO, July 15, 1944.
[Received July 20.]

The Ambassador has the honor to enclose a report on the gasoline situation [71] made by Señor Fernando Moller, Minister of Economy and Commerce, to the Chilean Congress at its request. It is believed that Señor Moller rendered a fair exposition of the problem from the standpoint of the United States, considering the various pressures to which he has been subjected for increased quantities of gasoline. However, he both admits and fails to explain the failure of rationing to preserve reserves for unforeseen contingencies from deliveries to Chile in excess of pool formula consumption. The only explanation of over-consumption is stated to be the inadequacy of Chile's quota to meet her prime necessities.

It should be noted that he refers to the continued efforts by his government to obtain a larger quota more commensurate with consumption for what are claimed to be essentials, although he appears not too sanguine of the outcome; also that he recognizes the double problem of both supply and transport as stressed by the Embassy under instructions from the Department; that by his reference to acquisition of gasoline outside the pool source of supply, he appears reconciled to the fact that the proposed deal for the purchase of gasoline from Peru is dead.

The Embassy had hoped to obtain real assurances and cooperation against future over-consumption and reserve depletion as instructed in the Department's telegrams no. 656 of June 5, 1944 and no. 704 of June 16, 1944 and had received informal promises that these assurances would be forthcoming. It now appears unlikely that the government will wish to make formal commitments to this effect at this time as the immediate problem of supply was solved by information received from the Chilean Embassy in Washington as a result of its discussions there. This month there is now in effect the strictest rationing yet, initiated perforce by an eighteen day delay of the sailing of the Chilean Navy tanker *Maipo* and several breakdowns of the tanker *Don Pancho* en route to Valparaiso. Prior to the arrival of the *Maipo*, expected July 21, in all probability all bulk storage facilities and even gasoline stations will be dry, and some time will be required after that date for distribution of arriving product.

It would be highly desirable if Chile's quota could be recast on a basis that could be made to endure. The government is now preparing a study toward this end in connection with the forward requirements estimate requested in the Department's circular airgram of May 19,

[71] Not printed.

1944.[72] Unless upward revision of quota can be justified and granted with concomitant assurances by the Chilean Government that consumption will be maintained at the determined level, it would be unwise to expect that large shipments via the tanker *Virginia* will be in part held in reserve for future consumption as suggested in the Department's telegram no. 704 of June 16, 1944.

Inasmuch as Chile from the inception of the petroleum pool has consistently consumed more than formula maintaining that it is impossible to do otherwise, and each time supplies have been exhausted appeals have successfully brought assistance, a pattern has been established that is somewhat difficult to alter. The alternatives to recasting the quota on the basis outlined are to limit current shipments to the formula consumption level with the full expectancy of continued crises and appeals for help, or to retain title in some agency of the United States Government to excess deliveries, which treatment as an improvident spendthrift would most certainly be unpalatable to the Chilean Government.

825.6363/10–344 : Telegram

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

WASHINGTON, October 12, 1944—8 p. m.

1080. Reurtel no. 1519 of Sept. 20 and no. 1580, Oct. 3.[73] As result of consideration by the Essential Requirements Committee,[74] the following total quantities for Chile covering the 12 months' period beginning October 1 are approved as follows in barrels: [75]

Gasoline	627,138
Kerosene	102,199
Light Diesel oil	150,000
Heavy Diesel oil	195,350
Fuel oil	5,720,756

Due to mounting war demands for gasoline in the Pacific, the supply situation will not permit any greater supply of gasoline for Chile at this time.

The Embassy should submit detailed schedules supporting the above total quantities as soon as possible.

HULL

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[72] Not printed.
[73] Neither printed.
[74] Presumably the Requirements Committee of the War Production Board.
[75] These figures represent an increase of 33,838 barrels of gasoline and 22,499 barrels of kerosene.

EFFORTS BY THE UNITED STATES TO SECURE THE COOPERATION OF CHILE IN IMPOSING CONTROLS OVER INTERNATIONAL FINANCIAL TRANSACTIONS [76]

740.25112 RP/4 : Telegram

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

SANTIAGO, January 20, 1944—midnight.
[Received January 21—8 : 45 a. m.]

131. Pursuant to article 28 of the economic project [77] and the recent controls decree set out fully in my telegram 102 of January 15,[78] the following additional controls decrees have been signed by President Ríos and all Ministers whose signatures are required, and are ready for promulgation:

1. Decree No. 402 dated January 19, declaring the Chilean offices of the Banco Abeman [*Alemán*] Transatlántico and of the Banco Germánico in liquidation as of December 31, 1943; the liquidation to be carried out immediately by the Superintendency of Banks pursuant to appropriate provisions of the general banking law, particular reference being made to title V of said law. Altogether six offices of the banks mentioned will be affected. While this decree has been prepared for some time, intensive efforts have been made by the banks during the last few days to secure their continued operation under the supervision of an interventor, which efforts have been successfully forestalled by the excellent work of Señores Ramírez and Fernández.[79]

2. Decree no. 422, January 20, requiring registration by all natural and juridical persons residing or domiciled in Chile, who have in their possession money, bonds, and other assets for the account of or in the name of persons and institutions resident or domiciled in Axis or Axis occupied countries to file sworn declarations of such properties with the Superintendency of Banks; prohibiting all contracts, transfers, negotiations or other acts with respect to such assets without prior authorization of the Superintendency of Banks, which prohibition is also made applicable to all assets registered in compliance with decree 736 of March 1, 1943 and subsequent extension decrees (see despatch 7117 of July 28, 1943 [80]); providing that in liquidating the German Banks under decree no. 402 the Superintendency shall not accept drafts and payments [or?] carry out any operations which would result in the transfer of properties belonging to institutions and

[76] Continued from *Foreign Relations*, 1943, vol. v, pp. 884–908.

[77] Promulgated December 23, 1943, to provide the Executive with the authority necessary to give effect to the resolutions and recommendations of the Third Meeting of the Foreign Ministers of the American Republics, held at Rio de Janeiro, January 15–28, 1942, and of the Inter-American Conference on Systems of Economic and Financial Control, held at Washington, June 30–July 10, 1942. For correspondence concerning these Conferences, see *ibid.*, 1942, vol. v, pp. 6 ff. and pp. 58 ff., respectively.

[78] Not printed.

[79] Pablo Ramírez and Alfonso Fernández, members of a coordinating committee created to supervise control measures over Axis properties.

[80] *Foreign Relations*, 1943, vol. v, p. 901.

persons residing or domiciled in Axis territory; and authorizing the Superintendency to withhold the authorization of any operation of said banks when the same may cause difficulties arising from conditions under which commerce and industry are carried on during the international conflict. (This decree effectively blocks the assets registered under decree No. 736 above referred to and requires additional registrations of the assets described above.)

3. Decree no. 423 of January 20, declaring that the directors of any corporation may justify a refusal to authorize a transfer of its stock on the ground that the transfer of such stock may cause disturbances in the normal functioning of such corporation because of wartime conditions, which action shall be made known to the Superintendency of Corporations. The net effect of this decree is to permit corporations to refuse to recognize the transfer of its stock when such transactions are in conflict with the Proclaimed List and other wartime policies of the United States.

4. Decree no. 427 of January 20, declaring that all corporations are required to retain in their possession dividends or capital payments owing to stockholders whose activities in the country have been contrary to the principles of continental solidarity, security and defense, to which the Government of Chile has committed itself in international agreements; but such retention shall be made under the supervision and upon previous authorization of the Ministry for Foreign Affairs to be transmitted by means of a decree in each case to the Superintendency of Insurance Companies Corporations and Stock Exchanges; and such funds shall be withdrawn by said Superintendency and deposited in a blocked account in the Central Bank, pending further action by the Government. The effect of this decree is to block dividends or other payments to Proclaimed List stockholders of Chilean corporations or foreign corporations doing business in Chile, as in the case of the dividends due by Indac to Enrique Block.[82]

While the above decrees do not specifically recognize the Proclaimed List, it is apparent that they do so by implication. This is particularly evident in decree no. 427. These decrees are further evidence that the Chilean Government is intent on putting into effect a sweeping program implementing the resolutions of the Rio and Washington Conferences. The above decrees, according to officials of the Commercial Policy Section of the Ministry for Foreign Affairs who supplied Mr. Franki [83] with advance copies thereof, and also according to Señores Fernández and Ramírez, will be promulgated and released to the press by the Minister of Finance [84] on January 21. These officials also state that further decrees, which will be promulgated shortly, are now under consideration, among which may be mentioned a decree to liquidate the German insurance companies operating in Chile.

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[82] Indac, Establecimientos Metalúrgicos "Indac" S. A., was deleted from the Proclaimed List on the basis that its objectionable dealings resulted from carelessness and not design. The deletion was conditioned upon a cancellation of its contracts with Proclaimed List firms among which was Enrique Block.

[83] Julius F. Franki, Special Assistant in the Embassy.

[84] Arturo Matte Lorrain.

Full text of the above decrees will be forwarded as soon as possible. Further developments will be reported as they occur.

BOWERS

840.51 Frozen Credits 25/90

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

No. 8684 SANTIAGO, January 24, 1944.
[Received February 1.]

SIR: I have the honor to transmit herewith recent developments relative to the control decrees recently adopted in Chile, transmitted to the Department in Embassy's Despatch No. 8668 of January 21, 1944.[85]

Pursuant to Decree No. 402 of January 19, 1944, providing for the liquidation of the Banco Alemán Transatlántico and the Banco Germánico de la América del Sud, the Superintendency of Banks caused to be published in the local newspapers on January 22, 1944, a regulation directed to the depositors, creditors of the bank and all concerned advising, among other things, as follows:

1. The closure of all current accounts and providing a procedure for the withdrawal thereof;
2. Suspension of unused credits in current accounts and procedure for payments on undertakings;
3. Manner of returning securities in custody of the banks;
4. Provision for collection of deposits given to the banks for collection;
5. Provision for time deposits;
6. Freezing of moneys, securities, et cetera, the property of Axis nationals.

Enclosed herewith is a copy and translation of the above regulation issued by the Superintendency of Banks.[85]

In connection with the liquidation of these banks, Señor Ramón Meza Barahona, Superintendent of Banks, met on January 21, 1944, with representatives of the Banco Alemán and the Banco Germánico to work out details in connection with the liquidation. It was subsequently announced that the Superintendent of Banks advised the banks that effective January 24, 1944, the banks would be operating under the supervision of liquidators appointed by the Superintendent of Banks. A liquidator was to be appointed for each branch of the banks.

It may be further observed that the recent control decrees previously referred to above, met with an unanimous loud acclaim by the local press, that considerable space has been devoted to favorable

[85] Not printed.

comments and editorials, pointing to the new control decrees as positive compliance by the Chilean Government with its agreements under the Rio de Janeiro and Washington Conferences. Attached hereto is a summary [87] of some of the editorials and comments made by the leading newspapers, together with excerpts therefrom, referring particularly to Presidential Decree 34 of January 17, 1944, which is the general controls decree. Additional developments will be reported to the Department as they occur.

Respectfully yours, CLAUDE G. BOWERS

740.25112 RP/2 : Airgram

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

WASHINGTON, January 25, 1944—6 : 30 p. m.

A–46. The Department has been pleased to learn of the expressed intention of Chile to implement the resolutions of the Rio de Janeiro and Washington Conferences by its control decree of January 14, referred to in your telegram 102, January 15, 1944,[87] and by action to be taken thereunder.

It is hoped that the material forwarded to the Embassy in the Department's despatch no. 3722 of January 1, 1944 [87] will prove helpful in the discussions which members of the Embassy staff will undoubtedly have with officials of the Chilean Government in connection with control measures.

In this connection it may be that the advice of the Embassy will be requested on the general subject of the manner in which the Chilean controls might best be implemented. Although matters of detail and, indeed, of broad principle, must, of course, depend upon the manner in which the Chilean Government desires to administer its controls, and the type of action which it plans to take, the following general points may be helpful to the Chilean officials with responsibility for this work.

(1) It has seemed desirable, on the basis of experience with other systems of control, to incorporate a broad statement of the purposes of the control measures. Included in such a statement probably should be a specific reference to a policy of implementation of the Rio de Janeiro and Washington Resolutions by the vesting, forced sale, or liquidation of important enemy business enterprises. In this manner an orientation which has sometimes been unfortunately lacking, may be provided for the commission or other body which will actually have to do the work under the control measures.

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[87] Not printed.

(2) It appears highly desirable that whatever body is given the task of carrying out the decree and the resolutions issued thereunder, be given sufficient administrative authority so that it can perform a substantial portion of the task before reference is finally made to the appropriate executive officials in the government for the final clearance of the replacement plans which have been devised. It also seems desirable that some procedure should be arranged by which frequent consultations might be held between the Chilean administrative body and appropriate members of the Embassy staff.

(3) It may appropriately be suggested that attention should first be given to those fields in which enemy interests have been particularly strong and dangerous. In this connection, the I. G. Farben interests and the interests in general of the German drug and chemical industry might receive primary attention. Such a program on the part of Chile would be well coordinated with similar programs in other countries, such as Colombia, which have been described to the Minister of Foreign Affairs [88] in a memorandum, a copy of which was enclosed with the Department's instruction no. 3722 of Jan. 1, 1944.[89]

(4) It may be indicated to the Chilean authorities that the United States Government is prepared to extend its assistance in the carrying out of such replacement programs as may be devised by the Chilean Government. This point has already been made in the memorandum for the Minister of Foreign Affairs of Chile, referred to above, and it is believed that the Chilean Government is aware of the fact that the cooperation of the Office of Alien Property Custodian and the companies controlled by that Office, may be enlisted in its behalf. It is also believed that many of the American companies would be interested in such programs as might be devised by the Chilean authorities.

Please report any developments or reactions.

HULL

740.25112 RP/8

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

No. 8737 SANTIAGO, January 28, 1944.
[Received February 5.]

SIR: Referring to my Despatches No. 8668 of January 21 [89] and No. 8684 of January 24, 1944, I have the honor to report further developments regarding the liquidation of the Banco Alemán Transatlántico and Banco Germánico de la América del Sud.

On January 25, 1944, Sr. Ramón Mesa B., Superintendent of Banks, was interviewed for the purpose of making arrangements to enable

[88] Joaquín Fernández Fernández.
[89] Not printed.

the Embassy to follow the liquidation of the banks as closely as possible and to ascertain the status of these proceedings at the present time. Sr. Mesa stated that he met with the representatives of the Banco Alemán Transatlántico and of the Banco Germánico de la América del Sud on January 21, at which time he advised them of the procedure that had been adopted for the purpose of putting into effect Decree No. 402. Under this plan the banks will proceed to liquidate in accordance with the Regulations issued by the Superintendent of Banks on January 21 and published on January 22, and such other Regulations which he may issue from time to time. The regulations of January 21 were transmitted to the Department in Despatch No. 8684 of January 24, 1944. The Superintendent has appointed a liquidator for each of the six offices of the Banks. The liquidators will supervise all banking operations, and are proceeding with the liquidations under Decree No. 402 and in accordance with the instructions issued by the Superintendent of Banks. These liquidators have assumed their respective posts as of January 24, 1944. It is the opinion of the Superintendent that it will require approximately one year to finally wind up the liquidation proceedings. He was confident that the program would proceed expeditiously and he anticipates no insurmountable difficulties through efforts to circumvent the regulations by the banks or failure to comply with same. The Banks, he said, had anticipated the liquidation decree would be forthcoming and accepted the Government's decision after it had been made. It was his opinion that the powers conferred on him by the General Banking Law of Chile, as amended, particularly Title 5 were sufficiently ample in scope to empower the Superintendent of Banks to carry out the provisions of Decree No. 402.

According to the Superintendent any assets of the banks remaining after final liquidation would be frozen in the Central Bank. In his opinion the assets of the Banco Alemán Transatlántico after liquidation would be approximately 60 to 80 million pesos and the remaining assets of the Banco Germánico de América del Sud would be no more than 15 million pesos.[91]

The Superintendent added that notwithstanding his personal antipathy for the German branch banks in Chile and the Axis, he could not fail to recognize the excellent service that these banks had rendered to Chile and their tremendous value to the country in years gone by. He expressed a strong hope that American capital would take over these banks and replace them with other financial institutions so that the economic repercussions resulting from the liquidations would

[91] The Embassy, in despatch 8862, February 12, 1944, reported that the liquidators were not blocking the accounts of Proclaimed List firms in general but only those held in the names of persons and firms in enemy territory (740.25112-RP/10).

be minimized from the long-term point of view. However, he recognized that the recent banking operations of these banks has been so limited that no serious consequences will follow immediately from the liquidations. The Superintendent expressed willingness to cooperate with the Embassy in every respect and to supply such information as may be desired from time to time. In this connection, he will supply the Embassy in the near future with a statement evidencing the total deposits of the Banks, and a break-down giving the name and amount of deposits for all deposits of more than 100,000 pesos.

Enclosed herewith is a copy of financial statement of the German banks furnished by the Superintendent evidencing the financial position of these banks as of December 31, 1938 and as of November 30, 1943. There is also enclosed a letter from the Superintendent of Banks transmitted with the financial statement. Both enclosures are translated copies.[92]

The Department's comments and, or suggestions would be appreciated with reference to any phase of the liquidation program. It is probable that in other American Republics a program was followed which may serve a useful purpose here. The Department may have special interest in securing special data or photostatic copies of certain records in the German banks.

An early reply in these matters will be appreciated in order that special consideration may be given them at an early stage in the proceedings here.

Respectfully yours, CLAUDE G. BOWERS

740.25112 RP/12 : Telegram

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

SANTIAGO, March 10, 1944—6 p. m.
[Received 10:16 p. m.]

475. While British Embassy has tentatively agreed to and its representatives are proceeding with us with the classification of the Proclaimed and Statutory Lists nationals on the basis reported in my despatch 8862, February 12,[93] the impression persists that they doubt the advisability of presenting the Chilean Government with a specific program for the liquidation, vesting, forced transfer and cleaning up of specific firms and individuals as outlined. Furthermore, conversations with Pack and Royden[94] lead us to suspect that possibly London also is somewhat reluctant to the initiation of any program which would reduce the size of the lists.

[92] Neither printed.
[93] Not printed.
[94] Arthur J. Pack and John L. Royden, Commercial Counselor and Commercial Secretary, respectively, of the British Embassy in Chile.

The British Embassy claims to have submitted the whole matter to London for approval more than 2 weeks ago but that no reply has been received.

As we feel that no further time should be lost in submitting the program to the Chilean Government, we hope the Department may find it possible to emphasize to the British authorities in Washington the desirability of London's promptly instructing the British Embassy to proceed with the program on the basis outlined in the despatch under reference.

BOWERS

740.25112 RP/12 : Airgram

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

WASHINGTON, March 29, 1944—4 : 30 p. m.

A–219. You are requested to complete the classification of Proclaimed List firms as soon as possible and to submit such classification to the Department together with the form of a report which you contemplate making to the Chilean Government.[95] This information with be helpful to the Interdepartmental Committee[96] and will facilitate discussions with MEW.[97]

It is believed that this matter should not be discussed with the Chilean Government pending final determination of the questions raised in your telegram no. 475 of March 10 and your despatch no. 8862 of February 12, 1944.[98]

HULL

740.25112 RP/10 : Telegram

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

WASHINGTON, April 22, 1944—9 p. m.

472. The Department is inclined to believe that the problem of local controls in Chile should be approached on the following basis:

The Embassy would first suggest orally & informally to the appropriate officials the need:

(*a*) for a law providing for the effective blocking of such persons and firms as may be found to be undesirable by the designated Chilean authorities; the blocking to be applied immediately to spearhead firms in accordance with the standards set forth in Washington Resolution VI.[99] Extension of blocking to others could be decided upon

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[95] For the form of classification adopted, see joint memorandum, p. 786.
[96] Interdepartmental Committee on the Proclaimed List.
[97] British Ministry of Economic Warfare.
[98] Latter not printed.
[99] 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, June 30–July 10, 1942* (Washington, 1942), p. 17.

at a later date. The spearhead firms would include those firms which you will place in categories 1–A and 1–B and, in your discretion, a few of the firms which you will place in category 2,[1] as defined in enclosure no. 6 to your despatch no. 8862 of February 12, 1944.[2]

(*b*) for a law prohibiting all unlicensed communications and dealings, direct or indirect, with real and juridical persons residing in Axis and Axis-occupied territory.

It would be emphasized, however, that the above measures are considered to be only the most important of the minimum controls which should be immediately adopted in accordance with the Resolutions of the Washington and Rio Conferences and that this Government is hopeful that additional measures will be taken as soon as possible. At the same time it would be pointed out that the suggested measures would affect only those few concerns of Chilean nationality which are prominently identified with Axis activities and that the measures are primarily directed against persons residing in or controlled, directly or indirectly, from Axis territory.

The Department shares the Embassy's hope that the Chilean authorities will soon adopt the comprehensive system of controls envisaged by the Washington Resolutions. Experience has shown, however, that the other American republics, and particularly those who have not declared war, have been reluctant to apply the more drastic techniques of vesting, liquidation and forced sale on a comprehensive basis and to apply controls to their own nationals. It is believed that in some instances the magnitude of the task of fully implementing the Washington Resolutions has been an effective deterrent to obtaining effective controls to limited categories such as the spearhead firms. The purpose, therefore, would be to present a limited program which could be immediately adopted without substantial political or economic repercussions and which would not prejudice the ultimate achievement of the broader objectives.

Secondly, it would be made clear that this Government is prepared to consider a revision of the Proclaimed List for Chile when additional controls, such as vesting, liquidation and forced sale, are effectively applied, with particular reference to the spearhead firms. In this connection the Department believes that it will be in a better position to consider the exact nature of the controls which will be necessary to accomplish this result after it has received the classification of Proclaimed List firms requested in the Department's airgram 219 of March 29, 1944.

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[1] Category 2 included firms in which there were undesirable interests in contrast to category 1 which contained Axis-owned or controlled firms and category 3 in which were placed firms trading with or cloaking for Proclaimed List companies.

[2] Not printed.

The above has been discussed with the British Embassy here which is requesting the views of MEW.

Please promptly report your views concerning the proposed plan of approach suggested above.

HULL

740.25112A/717

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

No. 9641 SANTIAGO, May 6, 1944.
[Received May 16.]

SIR: I have the honor to refer to my telegram No. 755 of April 27, 1944, 10 p. m.[3] advising the Department of the publication as of April 26 of Decree No. 1,539 dated April 14, 1944, liquidating the agencies of the five German Insurance Companies operating in Chile: Albingia, Norde Deutsche, Allianz, Aachen & Munich, and Maanheimer; and to enclose herewith a full copy and translation[3] of said decree. This decree as published in the *Diario Oficial* bears only the signatures of the President of the Republic and the Minister of Finance Señor Arturo Matte L., but it was also signed by the Ministers of Foreign Affairs, of Economy and Commerce, and of Interior as required by Decree No. 179 of March 23 and Decree No. 34 of January 17, 1944.

Notwithstanding the German insurance companies are now in liquidation and their portfolios have been transferred to the Reinsurance Institute, there remains much to be done in order to achieve a satisfactory solution of the insurance problem in Chile. At the moment a completion of the program, as presently visualized by this Embassy and the British Embassy, would require the following: *a*) Winding up as soon as possible of the liquidation proceedings now pending; *b*) The elimination of undesirable stockholders coupled with a blocking of the proceeds of same, the elimination of undesirable personnel, and the cancellation of undesirable contracts of the Listed national companies, "Germania", "Araucania" and "Previsora", and *c*) The working out of an acceptable program for dealing with the risks of listed firms, as well as the risks which have been carried heretofore by the German Companies in liquidation.

As in the case of the liquidation of the German Banks, the Embassy will of course follow the liquidation proceedings of the German insurance companies as closely as circumstances will permit for the purpose of obtaining useful information and making suggestions to the Chilean Government from time to time for speeding up the liquidation and achieving as effective compliance with the Rio and Wash-

[3] Not printed.

ington Resolution as is possible. The Embassy will keep the Department informed in regard to the progress of these proceedings as often as the circumstances seem to justify.

In the cleaning up of the Listed national companies, some progress has already been made. As reported in my Despatch No. 9417 of April 14, 1944,[4] the Coordinating Committee of the Chilean Government instructed the Superintendent of Insurance Companies to bring about the desired result. This he did, informing the three listed companies, "Germania", "Araucania" and "Previsora" about the middle of April that they must voluntarily eliminate all undesirable interests in 30 days or be subjected to measures to be issued by the Government which may result in liquidation. Recent reports indicate that the "Previsora" is presently making arrangements to sell out to the Kappés Organization, a group of local companies, although the full details of the sale and a request for permission to effectuate the transaction have not yet been submitted to the Embassies. "Araucania" and "Germania", which are under identical management, have not yet indicated to the Superintendent of Insurance Companies their intentions, and it seems apparent that they hope to engage in delaying tactics. These cases are currently under discussion with the Coordinating Committee of the Chilean Government, the Superintendent of Insurance Companies, the Reinsurance Institute and the Ministry of Finance, and present indications are that the Chilean authorities will maintain a firm attitude toward these Listed national companies, although until this week both the Superintendent and the Minister of Finance were somewhat reluctant to insist that the demands made on them be fully and promptly complied with. It may be mentioned here that the Manager of the Reinsurance Institute has agreed to inform "Germania" and "Araucania" that the Institute will decline to reinsure their excesses after sixty days if they do not fall in line with the program which has been indicated. As a result, it is felt that "Germania" and "Araucania" will also come forward soon with a concrete proposal to effectuate a voluntary clean-up.

At present the greatest difficulty centers about the formulation of a policy which should be pursued with respect to the insurance of properties and other risks of Listed persons and firms. It will be recalled, as was pointed out in my Despatch No. 7540 of September 13, 1943,[4] that the majority of the non-listed companies in Chile have in general followed the policy of voluntarily cancelling policies of listed firms at due date and that all companies not doing so would put a similar program into effect if requested to do so by the British and American Embassies. However, the Embassies, as indicated in the same Despatch, have not taken a positive stand on this point for the

[4] Not printed.

reason that to require all non-listed companies to cancel risks in which there is a listed interest, would only serve to transfer the business to the listed companies. This situation will of course continue to prevail until the "Germania", "Araucania" and "Previsora" are satisfactorily cleaned up and removed from the Lists. Assuming that these companies are reorganized soon, which now appears probable, the necessity for reaching a solution with respect to the insurance of listed risks will be squarely presented.

In recent weeks the Minister of Finance has privately indicated to officials of the British Embassy that the Chilean Government will never adopt a policy which would result in depriving listed firms of insurance coverage, his theory being that fire losses for example, if not covered by insurance would be an economic loss to Chile. Because the Chilean Government is apparently following this policy and also because the British Embassy and insurance interests here in my opinion are in accord with the Government's position, the British Embassy have just requested the Ministry of Economic Warfare for a ruling as to whether 1) non-listed companies, both national and foreign, should be authorized to write direct insurance for listed persons and firms, and 2) whether such insurance companies should be permitted to reinsure risks in which there is a listed interest. According to Mr. John Royden, Commercial Secretary, the British Embassy is of the opinion that 1) should be answered in the negative and 2) in the affirmative. Nevertheless, as a result of lengthy discussions with officials of the British Embassy, my staff has also concluded that the British are also in favor of permitting non-listed companies to write direct insurance for listed persons and firms so long as a suitable face-saving media for accomplishing this end can be established and put into operation. It is my opinion that one of the chief reasons which has impelled the British to advocate a central committee composed of representatives of the local insurance companies to allocate listed business, is to accomplish this purpose. The original British proposal suggesting this central committee and how it would operate is described in Enclosure No. 5 of my Despatch No. 8862 of February 12, 1944.[6]

Although Decree No. 1,539 liquidating the German insurance companies disposes of the issues raised by the British and the British insurance companies with respect to the intervention of the Reinsurance Institute in the liquidation of the German companies, the central committee idea has not been abandoned. The differences on this point were in effect compromised by allowing the Institute to take over the portfolios of the German companies and to carry their risks until the expiration date of the policies. Under the British proposal, as

[6] Not printed.

now modified, the expired policies of the companies in liquidation would be referred to the central committee, now being referred to by them as "the control pool", which would then allocate the risks to the unlisted companies. In the same way all applications for insurance by listed firms would be submitted to the central committee which would proceed to distribute same among the non-listed companies. The plan just described assumes that the three listed companies will be clean [*cleaned*] up in a few weeks, and presumably is also subject to the approval of London. However, recent discussions with Mr. Royden indicate that the British Embassy has been carrying on extensive conversations for some time with the Minister of Finance, the Superintendent of Insurance Companies, the Reinsurance Institute and key personages in the insurance business here, which is largely dominated by British interests for the reasons indicated in my Despatch No. 7540 above referred to, in which details of the "pool" and the manner in which it will operate have been considered. The Superintendent of Insurance Companies, the Reinsurance Institute and the Minister of Finance, according to Mr. Royden have no objection to the plan in principle. In fact the Manager of the Reinsurance Institute, Sr. Armando Hamel, informed a member of my staff yesterday that the "pool" to handle black-listed business had already been set up, and that the managers of the pool had already held two or three meetings. He also said that the managers were himself, the Superintendent of Insurance Companies Sr. Luís Merino, Luís Kappés who is head of the companies belonging to the Organización Kappés, and Roy Smith who is local representative for two British insurance companies and of the Fire Offices Committee in London.

While the Chilean Government has made no official announcement to the effect that it will not permit listed persons and firms to go without insurance and the Coordinating Committee dealing with control matters has made no statement with respect thereto to representatives of the Embassies, it may be reasonably assumed that the views of the Minister of Finance on this point, as privately expressed to the British, represents the present attitude of the Chilean Government. And I am also of the opinion that these views of the Chilean Government will in all probability continue unchanged, at least until the general program for liquidating, vesting and cleaning up the principal enterprises on the Proclaimed and Statutory Lists, which was last discussed in my Despatches No. 9417 of April 14, and No. 9441 of April 17,[7] has advanced materially. Taking these factors into consideration, and considering also that the German companies have actually been forced into liquidation and that the listed national companies are about to be cleaned up, it is at once apparent that some means must be

[7] Neither printed.

found to supply the insurance of listed risks, at least for the time being or until the program for the liquidation, vesting and cleaning up of the principal commercial enterprises on the List has progressed sufficiently. I am inclined to the view that the British proposal to allocate listed insurance through the central committee or "pool" to the non-listed companies operating in Chile, must be tolerated for the present as a practical solution, notwithstanding the proposal may in some respect seem unacceptable.

I have every reason to feel, also, that the Embassies will always be in a position to exercise substantial control over the activities and operations of such a "pool", not only through its managers but also through the local insurance companies, even to the extent of bringing about its termination should that appear to be desirable at a later date.

The Embassy realizes that the insurance of listed risks by non-listed companies on a provisional basis might be contrary to the spirit of the Department's Circular Instruction of July 1, 1943,[8] in regard to the elimination of enemy influence from the insurance business, and I therefore desire an expression of the Department's views on the matters herein discussed as soon as possible.

Respectfully yours, CLAUDE G. BOWERS

740.25112A/758 : Telegram

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

SANTIAGO, May 29, 1944—7 p. m.
[Received 9 : 25 p. m.]

928. Reference despatch 9641 May 6. "Control pool" now set up and ready to operate informed British Embassy in writing late last week after consulting superintendent of insurance companies as follows: (1) Pool has taken steps to assure all insurance companies in Chile will route all listed insurance through pool; (2) any policy will be canceled through superintendent's office at request of Embassies; (3) in view of this not necessary to place listed insurance on 15-day basis; and (4) pool will supply Embassies with details pertaining to all insurance handled by it.

British Embassy sought foregoing commitments as result instructions from London, according to Royden who was informed that Embassy had no objection thereto, provided Department approved of pool idea. Please expedite reply above despatch.

BOWERS

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[8] Not printed.

740.25112A/758 : Telegram

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

WASHINGTON, June 12, 1944—6 p. m.

680. Reference your despatch 9641, May 6, and your telegram 928, May 29, concerning the "control pool" to handle insurance of Proclaimed List risks.

Department believes that the Embassy should not approve the pool arrangement until a commitment has been received from the Chilean Government on three points:

(1) Department finds it difficult to reconcile the assurance given by the superintendent of insurance companies that any policy will be cancelled upon request of the Embassies with the Government's apparent attitude that Listed firms will not be permitted to go without insurance. It is possible that the firms whose policies would be cancelled could gain protection through at least two methods: (*a*) through the Caja de Reaseguradora;[9] (*b*) through a joint protective association formed by the ostracized firms. Therefore, in order to make the control effective we should require a commitment that any Listed firm insured through the pool which is denounced by the Embassies will be denied all insurance facilities.

(2) An understanding in advance that immediately following formation of the pool the Embassies will request cancellation of the policies of all firms in category I, class I, as described in the enclosure to your despatch 9441, April 17.[10] Under such a prior arrangement there would, of course, be no reason for allocating these risks through the pool in the first instance. Department believes that this commitment would greatly facilitate the accomplishment of our primary economic warfare objective in Chile in that the spearhead firms, upon finding themselves without insurance protection, probably would be more amenable to liquidation, either forced or voluntary.

(3) A commitment that all funds which may become payable to a Listed person or firm as a result of a risk attaching will be blocked for the duration with the exception that such funds may be released for reconstruction of the property where the enterprise is found to be essential to the local economy.

In return for the commitments suggested above, the Embassy would be authorized to inform the Chilean Government that we will make no further attempts to deprive insurance protection to any Listed firms in Chile.

Even if it should ultimately be decided to approve the pool, the Department would not be prepared to authorize American insurance companies to participate. This Government has consistently refused to permit American firms to carry direct insurance on Proclaimed

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[9] The Reinsurance Institute.

[10] Not printed; Category I embraced all firms which were potentially subject to liquidation, vesting, or forced transfer (740.25112A/670).

List risks except in a few instances where the early deletion of the insured party was assured. The program for liquidating and otherwise cleaning-up the Listed firms in Chile has not yet advanced to a point where a drastic revision in listing policy is possible, and therefore it is inadvisable to ease at this time any of the sanctions invoked by listing.

This instruction contains the Department's preliminary views on the pool and should not be discussed with the Chilean authorities until the Department has had an opportunity to reconsider the subject in light of your comments, which you should cable as promptly as possible. The British Embassy here is in accord with this instruction and has cabled MEW for its views.

HULL

740.25112A/688

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

No. 4176 WASHINGTON, June 13, 1944.

The Secretary of State refers to the Embassy's airgram no. A–196 of March 14, 1944 [12] concerning dollar currency seized by the Chilean Government from Axis agents and to the Embassy's despatches no. 9417 and no. 9441 of April 14 and April 17,[13] respectively, and the Embassy's airgram no. A–317 of April 27 [12] concerning the local financial and commercial controls in Chile.

The Department's telegram no. 472 of April 22 requested the Embassy's views concerning a proposed plan of approach with respect to the adoption of local controls in Chile. The Embassy's airgram no. A–317 of April 27 states that the views of the Embassy, as outlined in despatches no. 9417 and no. 9441, appear to be in conformity with the Department's suggestions in telegram no. 472. It is not entirely clear to the Department that the plan set forth in the Embassy's despatches no. 9417 and no. 9441 is the same as that suggested by the Department in telegram no. 472. The Department's suggestions in that telegram envisaged the following:

1. A general freezing decree conforming with Washington Resolution VI, which could be applied on an *ad hoc* basis.
2. Immediate application of the general freezing decree to Category I firms and individuals, as defined in enclosure no. 6 to the Embassy's despatch no. 8862 of February 12, 1944.[12]

[12] Not printed.
[13] Neither printed.

3. A decree prohibiting all unlicensed communications and dealings, direct or indirect, with Axis and Axis-occupied territory.

4. This Government would not be prepared to commit itself concerning a revision of the Proclaimed List for Chile until the foregoing three minimum requirements had actually been accomplished in fact.

5. This Government would be prepared to consider a revision of the Proclaimed List for Chile when additional controls such as the vesting, liquidation, and forced sale of Category I cases have been accomplished, the extent of such a revision being dependent upon the effectiveness of the elimination of Axis spearheads.

The British Ministry of Economic Warfare has informed the British Embassy at Washington that the suggestions contained in the Department's telegram no. 472 are acceptable to it.[14]

The Embassy's airgram no. A–317 indicates that the Embassy is currently discussing point no. 3 with the Chilean authorities and that the Embassy has submitted informally a program along the lines of point no. 5. The Department would appreciate the specific comments of the Embassy concerning the feasibility of approaching the Chilean authorities concerning points no. 1 and no. 2, including a statement whether insistence on point no. 4 might prove to be embarrassing to the Embassy in view of the informal presentation of the proposed revision of the Proclaimed List by the Embassy on March 30.

In the event that the Embassy should feel that negotiations with the Chilean authorities have proceeded to such a point that it would be difficult to ask for a freezing decree at this point, the Department believes that the United States currency seized by the Chilean Government from Axis agents might offer a suitable basis for approach. For your confidential information, the Treasury Department is prepared, upon recommendation from the Embassy, to release the currency in question from General Ruling no. 5 [15] upon its receipt in the United States provided: (*a*) the Chilean Government has acquired good title to the currency by vesting; and (*b*) those persons from whom the currency was seized (and anyone claiming by, through, or under them) have been entirely divested of all interest in or claim to the currency. The Treasury Department, however, does not expect the Embassy to request the release of the currency until such time as it is satisfied that, as a result of receiving credit for the currency, the Chileans have effectively implemented, or will definitely implement, measures such as those referred to in the Embassy's airgram no. 317, particularly the complete nationalization of Axis spearhead firms in Chile. The Treasury assumes that the Embassy will take the initiative in working out the best possible arrangement with the Chilean officials in exchange for the agreement of the Embassy to

[14] A marginal note on the manuscript reads: "Cleared with Mr. Frost of Brit. Emb., G[eorge] N. M[onsma]."

[15] Treasury Department Ruling of June 6, 1940, 5 *Federal Register* 2159.

recommend release of this currency for the credit of the Chilean Government.

The Department believes that Treasury's willingness to release this currency in exchange for such implementation of the Washington Resolutions as the Embassy may be able to obtain furnishes an excellent opportunity for the Embassy to approach the Chilean authorities informally with regard to the adoption of a general freezing decree and its immediate application to Category I cases and the adoption of general legislation providing for vesting, liquidation, and forced sale of Axis firms. The Department believes that the title requirements specified by Treasury could best be met by general legislation providing for vesting, liquidation, and forced sale of Axis firms which could be utilized both for the disposition of Category I firms and individuals (Axis spearheads) and for the vesting of the currency.

The Department would not be disposed to recommend that Treasury release the money in absence of: (*a*) the Embassy's specific recommendation that the currency should be released; (*b*) a report from the Embassy concerning the feasibility of approaching the Chilean authorities concerning a general freezing decree and its immediate application to spearhead firms; (*c*) evidence that satisfactory progress has been made by the Chilean authorities in disposing of Axis spearhead firms; and (*d*) prohibition of unlicensed communications and transactions with Axis and Axis-occupied territory.

Pages 4 and 5 of the Embassy's despatch no. 9441 of April 17, 1944 referred to the intervention of three leading agricultural enterprises in the south of Chile. It is assumed that the three enterprises referred to are Sociedad Industrial Kunstmann, S. A. of Valdivia, Sociedad Industrial Teofilo Grob of La Union, and Molino "Aguila" of Goecke & Wiesenborn of Puerto Montt. In this connection, reference is made to the monthly political reports for February and March from the Vice Consul at Valdivia, dated April 5 and 6, respectively.[16] The Embassy is requested to comment on the statements in the two monthly reports to the effect that the intervention is working largely to the favor of the listed firms and that the satisfactory reorganization promised by the Chilean Government does not appear to be likely.

740.25112A/798 : Telegram

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

SANTIAGO, June 16, 1944—4 p. m.
[Received 6 : 45 p. m.]

1044. What attitude Chilean Government will be toward proposals your telegram 680, June 12 very largely depends on whether Govern-

[16] Neither printed.

ment proceeds with vesting and liquidation Category I firms. Advisory Committee has just been replaced by new Controls Commission with executive powers whose official attitude toward program is not known as first meeting of new Commission will not take place for few days. However, we and British feel commitments stated in numbered paragraphs 1 and 2 can very likely be obtained, once we are authorized to approach Government, but believe it inadvisable to inform Government that no further attempts will be made to deprive listed firms of insurance.

Neither we nor British agree listed firms denied insurance could obtain coverage through Caja [17] or Joint Protective Association. Caja can be relied on to cooperate and Protective Association would very likely be unable to obtain superintendent's permission to operate.

In reaching final decision it should be kept in mind enemy interests have been virtually eliminated from insurance business in Chile. Treaties with enemy concerns have all been cancelled except for small amount life which Caja has with Phoenix Sud Americano. German companies are in liquidation and undesirable interests have now been eliminated from all listed national companies which will shortly be recommended for deletion.

BOWERS

740.25112A/7–144 : Telegram

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

WASHINGTON, July 1, 1944—6 p. m.

769. You are requested to cable urgently your comments on the following questions with regard to proposed insurance control pool: (1) By whom will the policies be issued? Specifically, will the pool be an insuring entity in itself, thus placing the participants in the position of reinsurers, or will the policy be issued directly to a Proclaimed List national by a particular company? (2) Is the pool dependent upon Anglo-American participation? (3) Would we be able to exercise necessary control over operations of the pool if British and American companies did not participate?

Your 1044, June 16, made no reference to numbered paragraph 3 in Department's 680, June 12. Your reply should contain your comment on this point.

HULL

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[17] Caja de Reaseguradora.

740.25112A/7–344 : Telegram

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

SANTIAGO, July 3, 1944—10 p. m.
[Received July 4—6 : 07 a. m.]

1153. The questions asked in Department's telegram July 1 [18] regarding insurance pool are answered as follows:

1. Pool is to be made up of all national companies operating in Chile. No foreign companies will be involved. The national companies are divided into two categories: Companies controlled by Chilean capital and those controlled by foreign capital. The latter are generally referred to by the British as "affiliates". See pages 3–5 despatch 7540 of September 13, 1943.[19] Original plan was to allow all national companies to issue policies on a pro rata basis to listed nationals, following applications made by listed concerns to the control pool. Since the Department's discussions with British, latter have indicated to their Embassy in Santiago the inadvisibility of permitting British "affiliate" companies to write direct insurance for listed nationals, and British Embassy has accordingly secured a modification of the pool idea. According to present plans, the Chilean controlled national companies only will write direct insurance for all listed persons and firms and assign it to the pool which will in turn redistribute such insurance among all national companies, including "affiliates". Thus foreign controlled national companies, mostly British, will not issue policies directly to listed nationals, but they will participate as reinsurers.

2. As above stated, foreign companies organized abroad will not participate in the pool. Also the pool could operate without the participation of British and American "affiliates". Since British have heavy interest in "affiliates" they believe it inadvisable to advocate exclusion of British "affiliates" from pool on ground that they are in fact British companies as this would invite attention of Chilean Government to British control. From long range standpoint they feel this would be an invitation to completely nationalize such companies. Only two national companies, Italo Chilena and Condor, are American affiliates.

3. Embassy feels it could probably exercise reasonable control over operations of pool if British and American affiliates did not participate in pool. However, with their participation it is believed more effective control would be assured.

Embassy also believes that commitment referred to in paragraph 3 of Department's telegram of June 12 [20] can eventually be obtained,

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[18] No. 769, *supra*.
[19] Not printed.
[20] Telegram 680, p. 767.

but this may entail revision of usual policy forms after consultation with companies.

British Embassy has been consulted and agrees with opinions herein expressed. Chilean Government has not been consulted.

As pertinent to above, I have unofficial information decree 345 enclosed in my despatch 10017 of June 16 [21] has been approved by Controller General, following a discussion I had with Minister of Foreign Affairs about controls program on June 24. This has not been officially confirmed and Controls Commission has not yet met with my representatives.

BOWERS

740.25112A/7–344 : Telegram

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

WASHINGTON, July 19, 1944—11 a. m.

819. On the basis of information contained in your 1153 of July 3, Department and Treasury are prepared to approve the proposed insurance pool provided the appropriate Chilean authority gives you in writing (in addition to the written commitment reported in your 928, May 29) the commitment requested in paragraph 1 of the Department's 680 of June 12. Upon receipt of such a statement, you are authorized to issue a general license to all American insurance companies to participate in the pool on the same basis as American "affiliates". Department understands British will issue similar license, but before issuing you should concert with your British colleague. We assume that you have reached agreement with your British colleague as to the spearhead firms which will be immediately eliminated from the pool.

The foregoing authorization is granted on the understanding that arrangements for blocking proceeds of payments under policies, as requested in paragraph 3 Department's 680, will be made at the earliest practicable date. If the general license is issued, you should inform the Chilean Government that the license will be withdrawn (1) unless this condition is fulfilled within a reasonable time and (2) if a cancellation request is not complied with.

HULL

740.25112A/7–2044 : Telegram

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

SANTIAGO, July 20, 1944—7 p. m.
[Received July 21—1 : 12 a. m.]

1231. Decrees have been prepared by Chilean Government which provide for interim intervention leading Axis spearhead firms pend-

[21] Not printed.

ing liquidation or forced transfer after 60 days. Secretary Chilean Commission states major decree, detailing procedure, and two other decrees, naming companies affected, already have been fully signed and early promulgation anticipated. Reference my telegram 1189 July 10 and my A–509 July 10,[22] issuance these decrees would constitute step toward accomplishment of desired local controls program which would justify publication accumulated deletions in forthcoming supplement. Final recommendation based on current status decrees will be sent you by telegram to arrive Washington not later Monday afternoon.

BOWERS

740.00112A EW/8–844 : Telegram

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

WASHINGTON, August 8, 1944—4 p. m.

889. For Russell [23] from Swihart.[24] Discussions with officers in Department concerning memorandum to be presented to Interdepartmental Executive Committee on Economic Foreign Policy with respect to continuation of Proclaimed List during post-hostilities period have raised the following question.

It is the consensus of the two Economic Offices that it would be undesirable to remove list in Western Hemisphere and to retain it for European neutrals and Argentina. It is believed if list is to be retained for a short period after hostilities it should be continued throughout. It is recognized list would be substantially decreased for many of other American republics but would contain a small number of Axis spearheads not brought under local controls. Preliminary discussions with Office of Other American Republics reflect an open mind on this matter. Before making final determination, however, ARA wishes to study any contemplated statement to be made public and contemplated policy to be pursued.

In as much as we have all assumed up to this point that continuation of list in other American republics after cessation of hostilities was politically impractical urgently request your views. [Swihart.]

STETTINIUS

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[22] Neither printed.

[23] Francis H. Russell, Chief, Division of World Trade Intelligence, temporarily in Chile.

[24] James W. Swihart, Assistant Chief, Division of World Trade Intelligence.

740.25112 RP/8–1544

Memorandum by the Ambassador in Chile (Bowers) to the Chilean Controls Commission [25]

The action taken by the competent authorities of the Chilean Government looking toward the forced sale, reorganization or liquidation of the Axis spearhead firms in Chile which are referred to in the memorandum of August 9, 1944 of the Ministry of Foreign Relations,[26] has been noted with the highest gratification. The authorities of the United States Government who are charged with the administration of the Proclaimed List are desirous of cooperating with the governments of those countries which are engaged in carrying out the resolutions of the Conference in Rio de Janeiro and the resolutions of the Washington Conference of the heads of Central Banks, in coordinating the Proclaimed List with the action taken by those governments. It is hoped that in this way it will be possible to reduce substantially the number of names on the Proclaimed List and to restore many firms to a full participation in the economy of the country.

In addition, the Proclaimed List authorities of the United States Government are presently concerned with the possibility of the complete or virtual withdrawal of the Proclaimed List from certain countries following the cessation of hostilities in Europe, and prior to the termination of the War in other theatres. It will undoubtedly have been noted that a release issued by the Department of State on May 4, 1944 [27] stated: "The problem of eliminating economic-warfare controls, and in particular the Proclaimed List, is believed in general to be capable of prompt solution (following the cessation of hostilities in Europe) in regions far removed from the scene of conflict where the spearheads of Axis aggression have been eliminated." It is the hope of the Proclaimed List authorities that the action which has been commenced by the Chilean Government, as referred to in the memorandum of August 9, will have reached a state of completion in time to permit the complete or virtual withdrawal of the Proclaimed List for Chile at the same time that such action becomes possible with respect to other countries in the Western Hemisphere. The Proclaimed List authorities will therefore welcome information con-

[25] Copy transmitted to the Department in despatch 10479, August 15, from Santiago, *infra*.

[26] Not printed.

[27] Address of Francis H. Russell at the Annual Meeting of American Drug Manufacturers Association, Department of State *Bulletin*, May 6, 1944, p. 405.

cerning the completion of the forced sale, reorganization (with appropriate elimination of undesirable personnel), or liquidation of the spearhead firms which have been the subject of discussions between the Chilean authorities and the Embassy and which, for the purpose of convenience, are referred to in the appended list.

The Proclaimed List authorities appreciate, moreover, the desire of the Chilean Government to secure the deletion of the names of a number of Chilean individuals and firms following the initial steps which have been taken by the Chilean Government in the development of the program outlined in the memorandum of August 9. During the period required for the completion of the forced sale, reorganization or liquidation action by the Chilean Government, the Proclaimed List authorities are prepared to consider the deletion of a number of Chilean names from the Proclaimed List in each supplement. The names to be deleted would in the main be those relating to the firms or individuals who cloaked for or otherwise collaborated with spearhead firms and persons and those whose activities in recent months have indicated that, as a result of the control measures taken by the Chilean Government, and as a result of a sincere change in attitude, they no longer constitute a serious danger to hemispheric defense and who are willing to give undertaking of future satisfactory conduct. Upon the completion of the measures proposed by the Chilean Government, the Proclaimed List authorities are prepared regardless of the course of hostilities in Europe to reduce the list to a minimum number of firms and individuals whose activities are considered to be inimical to the interests of the United Nations. It is understood by the Proclaimed List authorities that the measures which are contemplated by the Chilean Government include action to acquire and to regulate the use of patents and trademarks controlled from Axis territory.

The Commission has of course noted that the United States authorities have already given indication, through deletions, of their desire to coordinate listing policy with the measures taken by the Chilean Government since the beginning of the current year.

SANTIAGO, August 10, 1944.

740.25112 RP/8–1544

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

[Extracts]

No. 10479 SANTIAGO, August 15, 1944.
[Received August 23.]

SIR: I have the honor to report the following developments in the program of the Chilean Government to control Axis commercial

activities, which occurred last week during the visit of Mr. Francis H. Russell, Chief of the Division of World Trade Intelligence.

In view of the recent important developments described in my despatch No. 10389 of August 3, 1944,[29] and inasmuch as the principal purpose of Mr. Russell's mission was to discuss the studies now being made by the Department and the British and Canadian Governments looking to the withdrawal of the Proclaimed List and other economic warfare measures from the Western Hemisphere following the cessation of hostilities in Europe, Mr. Russell's visit to Chile was indeed timely. . . .

. . . . . .

Probably the most significant development was the decision of the Chilean Commission, taking advantage of Mr. Russell's presence, to request the Embassies for a statement of future policy toward Chile with respect to the Lists and other controls, now that the Chilean Government had begun the program to deal with the principal Axis firms as outlined by the Embassies, and was rapidly taking steps to give it effect. For this purpose, the Secretary of the Commission, Sr. Illanes, transmitted to the Embassies through a member of my staff a memorandum [29] prepared by the Commission dated August 9, briefly reciting what has been accomplished to date and indicating the immediate plans and intentions of the Commission, and in addition requesting the effective cooperation of the Embassies and their respective governments, particularly in the form of a total revision of the Proclaimed and Statutory Lists. . . .

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In view of the foregoing, the reply which had thus been prepared was submitted to the Chilean Commission at the Thursday afternoon meeting on behalf of the United States Embassy only. A copy and translation of this reply in the form of a memorandum dated August 10, is enclosed herewith.[30] Messrs. Royden and Vechsler [31] who were present at the meeting for their respective Embassies, declared that while they personally agreed with the United States reply, they could not give official concurrence thereto until authorized to do so by their Governments, which authorization they said they would endeavor to secure as soon as possible by cable.

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It should be mentioned that at the time of the submission of the United States reply of August 10, the members of the Commission read it with great interest, but made no comments about it except as stated below. Subsequently, members of the Commission informed

[29] Not printed.
[30] *Supra.*
[31] Myers J. Vechsler, Canadian Commercial Attaché in Chile.

my staff that they were satisfied with the reply, and that it not only served to clarify the position of the United States Embassy but would give the Commission much firmer ground upon which to stand in taking action against the principal Axis firms. . . .

. . . . . .

Respectfully yours, CLAUDE G. BOWERS

740.25112 R.P./9–1344

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

No. 10672 SANTIAGO, September 13, 1944.
[Received September 21.]

SIR: I have the honor to refer to my Despatches No. 9490 of April 20, 1944 and No. 9851 of May 27, 1944 [32] and to report further developments regarding the liquidation of the Banco Alemán Transatlántico and the Banco Germánico de la América del Sud.

The Chilean government has recently taken direct and vigorous measures as a direct result of instructions imparted by the local Controls Commission to the Ministry of Finance to bring about a more effective and complete liquidation of the German banks subjected to local Control Decree No. 402 of January 19, 1944. A copy of the Commission's instructions to the Minister of Finance on the subject, together with translated copy,[33] is enclosed herewith. Following these instructions of the Commission, the Superintendent of Banks, charged administratively with the liquidation of the banks, has issued a resolution whereby the Superintendent has taken direct charge of the liquidation program of the Banco Alemán Transatlántico and the Banco Germánico de la América del Sud as of September 5, 1944, the date of the resolution. A copy of the Superintendent's resolution, together with a translation, is also enclosed.[33] This measure was taken in accordance with the Superintendent's powers under article 38 of the general banking law.

Pursuant to the above resolution the Superintendent furthermore issued instructions to the banks discharging the key German officials of the banks and replacing same with officials of the Superintendent's staff. The newly designated officials will proceed in winding up the liquidation program. The remaining German personnel of the banks have been given dismissal notices effective as of September 30 and October 31, 1944. (See Embassy's Despatch No. 9490 of April 20, 1944). A copy of the Superintendent's instructions, together with a translation, is enclosed.[33]

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[32] Neither printed.
[33] Not printed.

In compliance with the Commission's instructions, the Superintendent is also preparing press notices for a public sale of the Banco Germánico's bank buildings in Valparaiso and Santiago and the Banco Alemán's building in Valparaiso. The public sale of these three buildings will be effected within the next 15 days. The outstanding banking operations of the two German banks have been transferred to the Banco Alemán in Santiago. The building of the Banco Alemán in Santiago will likewise be sold at public sale as soon as the liquidation is terminated together with the Banco Alemán's buildings in Valdivia and Concepción. The Superintendent is also making at this time a complete disposition of the German banks' office equipment, and in this connection a sale has been effected recently whereby the newly organized Banco Sud-Americano de Vapores has purchased 370,000 pesos of office equipment from the German banks. (See Embassy's Despatch No. 10,366 [*10,636*] of September 8, 1944.)[34]

The Embassy has been consistently pressing the Chilean officials relative to the liquidation program of the German banks in bringing about more effective and forceful measures which were finally adopted by the local government as described above in a manner as contemplated in the Rio and Washington Conference agreements. (See Embassy's Despatch No. 9490). It is felt that the control measures as outlined above when fully applied will result in a satisfactory solution by the Chilean government of the economic warfare problem involving the German banks in Chile. It is now anticipated that liquidation of the banks will be fully terminated in the near future, and that the remaining assets of the banks will be blocked in the Central Bank of Chile.

Respectfully yours, CLAUDE G. BOWERS

740.25112 R.P./9–944 : Telegram

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

WASHINGTON, September 14, 1944—6 p. m.

988. ReDeptel 984, September 13.[34] The British Embassy here has received a report from the British Embassy at Santiago that the efforts of the Consultative Commission to carry out the expropriation program are being hampered by such fiscal bodies as the Corporación de Fomento and the Superintendent of Banks. It is also reported that if the Committee does not receive further backing from the fiscal bodies concerned, the members are considering resigning from their posts.

[34] Not printed.

The British Embassy has suggested the desirability of a simultaneous approach to the Chilean President and to the Minister of Foreign Affairs by the British and American Ambassadors. The President and Minister would be told that if certain action (presumably completion of liquidation or sale of certain firms and the commencement of such action with respect to the balance of the firms agreed upon for such action) has been completed by a given date, the American and British Governments are prepared to delete immediately thereafter all Category 3 cases. MEW has expressed its approval of this approach. As stated in the telegram under reference the Department desires to cooperate with the Consultative Commission as completely as possible as long as (1) it appears that the Consultative Commission is proceeding energetically toward the effectuation of the expropriation program and (2) it appears that the Consultative Commission can secure the necessary backing from the officials of the Chilean Government who are concerned. In the absence of either of these conditions the Department believes that an indication of this government's concern over the absence of the expected progress should be made through a cessation of deletions and a resumption of additions.

In any event, and regardless of the rate of progress of the Consultative Commission, it would appear to be desirable for the American and British Ambassadors to make approaches to the Chilean President and Minister of Foreign Affairs such as has been suggested above. Unless you see strong objections to such an approach you are requested to consult with the British Embassy in effectuating it. Such approaches would appear to offer a means of strengthening the position of the Consultative Commission in view of the complaints that they have made concerning the lack of support from other agencies in the Chilean Government.

HULL

740.25112 R.P./9–1444 : Telegram

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

WASHINGTON, September 16, 1944—11 a. m.

996. There appears to be some inconsistency between your telegram 1494, September 13, and the final two sentences of your telegram 1498 of September 14[37] concerning the addition of Chilean names in the forthcoming supplement to the Proclaimed List. Please clarify by immediate cable.

The Embassy will have noted from Department's 985, September 14[38] that only 45 deletions will in any event be possible in the next

[37] Neither printed.
[38] Not printed.

supplement. Other deletions recommended by the Embassy were not approved for this supplement by the Committee as they fell into the following two categories: (1) Employees of firms in the process of liquidation or forced sale. It was felt that deletion of these names at this time might interfere with thoroughgoing clean-up action by the Chilean authorities. If the Embassy believes that some of these persons can be considered as satisfactory employees for the reorganized firms and therefore desires to recommend them for deletion in the October supplement, it is requested to report in greater detail on such names. (2) Cloaks for firms which are still on the Proclaimed List and against which no clean-up action has been instituted. There is nothing in the record to indicate that these cloaks would not resume their purchase of American goods which would be turned over to the principal listed firms nor is there any indication that the individuals have requested their deletion or stated their willingness to give a standard form of undertaking.

HULL

740.25112A/9–2944

The American Ambassador in Chile (Bowers) to the Chilean Minister for Foreign Affairs (Fernández)[39]

No. 2490 SANTIAGO, September 22, 1944.

EXCELLENCY: I have the honor to inform your Excellency, in accordance with instructions from my Government, that the United States and British Governments will issue statements simultaneously on September 26 to the following effect:

[Here follows text of statement quoted in Department's circular telegram of September 20, 5 p.m., printed on page 530.]

I am confident, and it is the hope of my Government, that your Excellency's Government will cooperate in every way possible in applying effective sanctions against firms wherever located which may remain on the lists during the period following the cessation of organized resistance in Germany.

My Government has further requested me to inform your Excellency's Government that the complete or virtual withdrawal of the Lists will be possible shortly following the cessation of organized resistance by Germany with respect to those countries which have effectively eliminated the Axis spearhead firms, removed undesirable interests from other important Listed enterprises and have instituted adequate controls to carry out the purposes of the continuation of the Lists which are referred to in the proposed public statement above quoted.

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[39] Copy transmitted to the Department in despatch 10779, September 29, from Santiago; received October 10.

In view of the foregoing, I take this occasion to re-emphasize the points discussed with the Economic Controls Commission of your Excellency's Government by Mr. Francis H. Russell, Chief of the Division of World Trade Intelligence of the State Department, and members of my staff at the meeting of August 10, and particularly in the informal memorandum [41] submitted to the honorable members of the Commission by my representatives at that time. The speed with which military developments are progressing in Europe indicates the possibility of an early withdrawal of the Proclaimed List from those countries which have effectively liquidated or forcibly transferred to desirable concerns, all Axis spearhead firms operating within their territory, including the effective removal of undesirable interests from other important firms included in the Lists. The necessity of immediate and thorough action on the part of any government which has not completed such a program, but desires to have the list withdrawn for firms in its territory simultaneously with withdrawal elsewhere, is therefore of the greatest importance.

I feel sure that your Excellency's Government will, in these circumstances, avail itself of all appropriate means to expedite the work of the various Governmental agencies concerned with the carrying out of the program which has been undertaken by the Economic Controls Commission, so that it may be concluded with the least possible delay.

Accept [etc.] [CLAUDE G. BOWERS]

740.25112 R.P./9–1644 : Airgram

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

WASHINGTON, October 3, 1944—3 : 35 p. m.

A–639. Reference your telegram no. 1511 of September 16.[42] There has been no violent disagreement between British and American representatives on the Proclaimed List Committee with respect to deletions for Chile. As stated in Department's telegram no. 988 of September 14 the British Embassy here suggested the simultaneous approach to the Chilean President and the Minister of Foreign Affairs informing them that if certain action were completed the American and British Governments would delete all Category III cases. The Department felt that such an approach would be desirable for the reasons stated in the final paragraph of Department's telegram no. 988, but at the same time, took the position that such an approach should not

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[41] Memorandum of August 10, p. 775.

[42] Not printed; it conveyed Ambassador Bower's belief that the British Embassy in Santiago had criticized the Chilean control program in its reports, that the British wished to freeze the Proclaimed List as long as possible, and that there was a violent disagreement over the matter between British and American representatives on the Proclaimed List Committee in Washington (740.25112 R.P./9–1644).

preclude substantial deletions supplement by supplement if the Chilean Controls Commission continued to show substantial progress on elimination of Axis spearheads. The British have concurred in the Department's views in this respect and are prepared to make substantial deletions on the basis of continued progress by the Chilean Controls Commission.

In view of the foregoing it does not appear to be necessary or desirable at this time to approach the British concerning points 1 and 2 in section 1 of the telegram under reference which deal with the objections of the British to the Chilean controls program and their suggestions for rectifying the defects of the program.

Point 3 of your telegram raises the question of the British policy with respect to future Proclaimed List additions and deletions. The preceding paragraph indicates that the British have concurred in the Department's views concerning future deletions. With respect to additions, the British have felt quite strongly that no supplements should be published which did not contain at least one addition so that no difficulty would arise in the event that it should be found necessary to resume active listing because the Chilean Government had not continued to proceed vigorously with its controls program. The British, however, have not pressed this point as is obvious from Supplement VIII–1 in which no additions appeared for Chile. In this connection, it is apparent from your telegram no. 1514 of September 17 [43] that you believed that some cases heretofore recommended for addition and not yet included in the Proclaimed List are sufficiently serious to warrant inclusion in the forthcoming supplement. These recommendations will be reviewed and you will be informed which cases the Committee has selected for Supplement VIII–2.

With respect to point 4 of your telegram under reference the British representative stated at a recent Interdepartmental Committee meeting that MEW at the very beginning of the war decided in favor of efforts to eliminate Axis spearheads by liquidation, forced sale and similar technique even though such action might indirectly endanger the security of all foreign investments. The Department believes that the foregoing casts sufficient light on the British attitude for you to decide whether there are any strong objections to the approach suggested by the British as described in Department's telegram no. 988.

In view of the final sentence in the second section in the telegram under reference additional names were approved for deletion in Supplement VIII–1 raising total deletions for that supplement from 43 to 62 names. You will note that while a larger number of deletions appeared in Supplement VIII–1 than had been anticipated all names recommended in your telegram no. 1462 of September 6 [43] were not

[43] Not printed.

deleted. The reasons why these names were not deleted were explained in Department's telegram no. 996 of September 16. If you wish to have these names reconsidered please submit a further report containing facts justifying their deletion.

In this connection you should bear in mind that the Interdepartmental Committee feels that while the Chilean authorities have made sufficient progress on local controls to justify substantial deletions, it does not feel that the Chilean authorities have made such a degree of progress that cases can be deleted without carefully inquiring into the facts of each case. The Committee while favorably disposed to substantial deletions in Chile is firmly of the opinion that the least harmful cases should be deleted first. In order to select the least harmful cases the Committee inquires into the facts in each case; consequently in order to assure the desired number of deletions for any given supplement it is necessary that you supply the Department with the following: (1) a report of the current progress of the Chilean Controls Commission in eliminating Axis spearheads upon which to predicate the representation to the Interdepartmental Committee that substantial deletions should be made, and (2) a concise statement of the facts in each case recommended by you for deletion indicating why each case is one which merits deletion at that particular time with reference to other possible deletable cases.

HULL

840.51 Frozen Credits 25/10–2744

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

No. 10976 SANTIAGO, October 27, 1944.
[Received November 5.]

The Ambassador has the honor to refer to previous despatches regarding the liquidation of the five German insurance companies heretofore doing business in Chile, La Albingia, La Nord Deutsche, La Allianz, La Aachen and Munich and La Maanheimer.

Supplementing the despatches referred to there is transmitted herewith copy and translation of Decree No. 3554 dated September 25, 1944, instructing the Superintendent of Insurance to liquidate all securities belonging to the insurance companies named and to invest the proceeds of the same as well as all cash on hand in road bonds issued in accordance with Article 31 of Law No. 7200. These bonds bear interest at the rate of 7% and are amortized at the rate of 7% annually. The Decree which was published in the *Diario Oficial* of October 11, 1944, also authorizes a subsistence payment of 5,000 pesos per month to the ex-manager of one of these insurance companies. The issuance

of this Decree is one of the final steps in the conclusion of these liquidation proceedings.

There is also enclosed copy and translation [45] of Note No. 674B dated September 12, 1944 of the Superintendent of Insurance Companies which constitutes the basis for the above Decree.

740.25112A/10–2144 : Airgram

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

WASHINGTON, November 18, 1944—11 : 50 a. m.

A–714. Reference is made to your airgram no. A–741 of October 21, 1944 [45] requesting information concerning the policy which should be followed with respect to deletion of German nationals.

This airgram was discussed at a recent Interdepartmental Proclaimed List Committee meeting and the British representative on the Proclaimed List reported that on last June the position of MEW with respect to deletions of German nationals was that (1) little heed should be paid to an alleged change of heart on their part, (2) in general German nationals should not be deleted when the primary object of the deletion is to shorten the list, (3) deletion of German nationals might be feasible shortly after an armistice in Europe, and (4) German nationals should be deleted only if an economic warfare advantage is to be gained. The British representative stated that he intended to suggest to the British Embassy in Santiago that (1) the situation in Chile has changed considerably since last June when MEW stated its position, (2) in view of the progress being made in the elimination of Axis spearheads and the desirability of making substantial deletions from the Statutory List in order to strengthen the hands of the Chilean Controls Commission so that it can continue with the elimination program, a real economic warfare advantage might be gained by the deletion of German nationals, and (3) the cases of German nationals, included in recommendations for mass deletions as part of the deletion program in Chile, would very likely receive somewhat closer scrutiny than other cases.

The Interdepartmental Committee understands that the British will not object to the deletion of German nationals solely because of their nationality but would not be inclined to delete a substantial number of German nationals until persons of other nationalities, excluding Japanese, who had contributed no more to the Axis cause than the German nationals, had been deleted.

STETTINIUS

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[45] Not printed.

740.25112A/12–1444

Copy of Joint Memorandum of the American, British, and Canadian Embassies in Chile to the Chilean Economic Controls Commission [47]

The Governments of the United States, Great Britain and Canada have noted with great satisfaction the action taken by the Government of Chile in subjecting a number of Axis spearhead firms located in Chile to liquidation, forced sale and intervention. The implementation of the joint declaration of policy which was issued by the British Government and the United States Government on September 26, 1944,[48] and the policies indicated in the memorandum dated August 10, 1944 which was submitted by the United States Embassy to the Commission, and which were agreed to in principle by the Canadian and British Embassies, will be facilitated by continued progress in this direction.

It will be recalled that on March 30, 1944, the Embassies submitted to the Coordination Commission, the predecessor of the present Economic Controls Commission, a tentative basis for classifying the names of persons and firms included in the Proclaimed and Statutory Lists for Chile, looking toward a reduction of the Lists on the basis of substitute local controls implementing the Rio and Washington Conferences. This basis for classification, which has been adopted by the Commission, divides the names on the Lists into five categories:

Category I, being the principal Axis spearhead firms and enterprises which should be liquidated or forcibly transferred.

Category II, being important Listed firms which should be reorganized after eliminating undesirable elements.

Category III, being a considerable number of firms and individuals to be considered for deletion once effective controls are put into effect.

Category IV, being the remainder of the names on the List which would continue thereon for some time.

Category V, being a small number of Listed agriculturalists.

Thus far a number of important steps have been taken by the Chilean Government. Decree No. 463 of May 31, 1944 has been put into effect which establishes the norms to be pursued in the administration, intervention, liquidation and forced sale of the enterprises against which the measures contemplated by the Rio and Washington Conferences shall be taken. . . .

Note should also be taken of the recent measures implementing Article 14 of Decree 463 to effectuate blocking of dividends and stock transfers of persons and firms included in the Proclaimed List.

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[47] Transmitted to the Department in despatch 11,271, December 14, 1944, from Santiago; received December 21.

[48] For text, see circular telegram of September 20, p. 530.

In the memorandum of August 10 it is stated that the authorities in charge of the Lists are prepared to reduce the Lists substantially once the Chilean Government has completed the program which has been the subject of discussion between the Commission and the Embassies. Specifically the United States memorandum states that "upon completion of the measures proposed by the Chilean Government, the Proclaimed List authorities are prepared, regardless of the course of hostilities in Europe, to reduce the List to a minimum number of firms and individuals whose activities are considered to be inimical to the interests of the United Nations." During the interim period required for the completion of the forced sale, reorganization or liquidation of the firms and enterprises contemplated, a substantial number of deletions has been made in each intervening supplement, and at the same time the number of additions to the Lists has been reduced to an absolute minimum. In making these deletions the Interdepartmental Committee will endeavor to accord preference to those cases which appear to be more meritorious. This policy is being pursued so long as the Chilean Government continues to make satisfactory progress in the program which is being currently developed.

The memorandum of August 10 mentioned above also stated: "It is understood by the Proclaimed List authorities that the measures which are contemplated by the Chilean Government include action to acquire and to regulate the use of patents and trade marks controlled from Axis territory."

In view of the foregoing, and without in any way minimizing the measures which have already been undertaken by the Chilean Government and which still are in progress, the Embassies feel that cooperation on their part would be greatly facilitated if the Economic Controls Commission would, at its earliest convenience, indicate the position of the Chilean Government with respect to the following:

(*a*) What policy will be adopted and pursued by the Commission and the Chilean Government with respect to the firms and enterprises listed in Category II, and what firms in this Category will be subject to the measures contemplated?

(*b*) What policy will be pursued by the Commission with respect to trade marks and patents controlled from Axis territory directly, or indirectly through firms in Category I?

(*c*) Can arrangements be made to supply the Embassies with adequate and up-to-date information periodically regarding the progress of the interventions, liquidations or forced transfers of each of the firms which have been or will be placed under control by the Chilean Government and its various agencies?

For the Commission's information and consideration there is attached hereto a tentative list of the names in Category III [49] which

[49] Not printed.

the Embassies believe should be recommended to the Interdepartmental Committee in Washington for deletion from the Lists as soon as the program which has been outlined has been concluded. These names are of course subject to revision by the Interdepartmental Committee.

The names in Category I and Category II, it will be recalled were attached to the memorandum of August 10.

Embassy of the United States
of America

British Embassy

Canadian Embassy

SANTIAGO, December 14, 1944.

EFFORTS TO COUNTERACT THE WORK OF AXIS ESPIONAGE AGENTS IN CHILE [50]

825.00/2066a

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

WASHINGTON, January 4, 1944.

MY DEAR MR. SECRETARY: The American Ambassador at Santiago, Chile,[51] has informed the Department that there have been persistent rumors in Chile that an Axis inspired revolution might occur in that country. The recent revolution in Bolivia has increased the uneasiness in Chile. While the Ambassador has no information pointing to the imminence of a revolutionary movement in Chile, he feels nevertheless that it would be desirable for this Government to send a United States vessel to Valparaiso as a demonstration of solidarity and friendship with the Chilean Government. A report from the United States Ambassador in Buenos Aires [51a] states that the German military attaché is supposed to have said that a revolution in Chile is imminent.

In view of this situation of possible threat to the defense of the Hemisphere, I believe a courtesy visit of an American cruiser to Valparaiso would be helpful and I would therefore appreciate your endeavoring to arrange for such a visit as soon as practicable.

Sincerely yours, HULL

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[50] For previous correspondence regarding efforts to counteract the work of Axis espionage agents in the American Republics, see *Foreign Relations*, 1942, vol. v, pp. 186 ff. See also *ibid.*, 1943, vol. v, pp. 909 ff. For other accounts of Axis activities in the American Republics, see Emergency Advisory Committee for Political Defense, *Annual Reports* (Montevideo, 1943, 1944), and Department of State, *Consultation Among the American Republics with Respect to the Argentine Situation* (Washington, Government Printing Office, 1946).

[51] Claude G. Bowers.

[51a] Norman Armour.

825.00/2044 : Telegram

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

WASHINGTON, January 6, 1944—6 p. m.

20. The Navy Department has informed the Department, with reference to your telegram no. 6, January 3, 5 p. m.,[52] that the cruiser *Trenton* under the command of Rear Admiral Train, Commander Southeast Pacific Force, will arrive at Valparaiso on January 11 in order to make a visit of courtesy as a demonstration of solidarity and friendship of this Government with the Government of Chile.

This information has been transmitted to the Naval Attaché[53] with instructions to furnish it to you for your information only. The Department, however, has been informed by the competent official of the Navy Department that no objection is perceived to the transmission by you of this information in confidence to President Ríos immediately and to other officials of the Chilean Government at an appropriate time before the contemplated arrival of the vessel.

HULL

862.20210/2715

The American Ambassador in Chile (Bowers) to the Chilean Minister for Foreign Affairs (Fernández)[54]

SANTIAGO, January 18, 1944.

DEAR MR. MINISTER AND FRIEND: I have received inquiries as to the progress in the judicial process of the German clandestine radio station PYL discovered at a *fundo*[55] in Quilpué on October 27, 1942.

You will perhaps recall that I submitted to your predecessor in office, under date of June 30, 1942,[56] proof positive of the existence and operation of this radio station including translations of actual espionage messages sent to Germany and instructions from the Nazi authorities in Hamburg, Germany, to the gang of spies operating this radio. A memorandum in this case was also transmitted to the Committee for Political Defense in Montevideo which was later made public.

I am informed that, in addition to discovering the actual transmitting set and secret ink and other materials of clandestine communication in the radio station, Chilean officials received signed confessions from members of the gang operating the radio.

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[52] Not printed.

[53] Comdr. Joseph P. Rockwell.

[54] Copy transmitted to the Department in despatch 8679, January 22, 1944, from Santiago; received February 2.

[55] Farm or other rural area.

[56] For a summary of this memorandum, dated October 28, 1942, see *Foreign Relations*, 1942, vol. v, p. 225.

The investigation and the translation of the messages resulted, I understand, in locating agents connected with the Nazi spy ring in Brazil, Peru, and Colombia. The two heads of the clandestine radio station operating in Brazil in conjunction with the PYL station were Albrecht G. Engels and Herbert von Meyer, both of whom were arrested by the Brazilian authorities and immediately interned in prison, where they still remain. There were two agents in Peru identified as having been in contact with the PYL radio station: Claus Watjen escaped to Argentina before the organization was broken up; and Ferdinand Westoff was deported to the United States where he is now interned. The agent in Colombia connected with the Quilpué clandestine radio station was Heriberto Schwartau Eskildsen, who was also deported to the United States and is now interned there. In Ecuador the principal agent concerned, Walter Giese, returned to Germany before the discovery of the spy ring.

Regarding the present status of the principal agents of the organization who acted in Chile, the following information has come to the attention of the Embassy:

Friedrich von Schultz Hausmann is now living at Calle Espora 770, San Isidro, Buenos Aires, Argentina. Heinrich Reiners escaped from Chile and is at present believed to be in Argentina. Hans Blume and Johannes Szeraws have never been apprehended. Hans Hofbauer gave a signed confession in the PYL case, was at first relegated, was later called back to Valparaiso at the disposition of the investigating judge, and evidently is now at liberty in that city. Horst Kettler also gave a signed confession, and he was repatriated to Germany with the first German group, which left Santiago on September 29, 1943. Isabel Piderit, wife of Heinrich Reiners, was questioned by the investigating judge on one occasion, but she was released and is residing at her home in Chorillos. Alberto von Appen was released by the Court, was relegated to Limache, and on January 4, 1944, was rerelegated to this spot. Otto Buchholz was released by the Court, was relegated to Buin, and on January 4, 1944 was rerelegated to Salamanca. Arnold Barckhahn, Chilean involved in the operations of this espionage group, gave a signed confession, was released by the court, and is at liberty in Valparaiso, Chile.

Since more than fifteen months have elapsed since the clandestine radio station was seized and confessions were made by certain members of the spy ring, the judicial investigation which has been conducted under Judge Rodolfo Gonzalez has evidently been terminated. It is particularly noted that no judicial action beyond investigation has been taken by the judge. Inasmuch as this is a matter which undoubtedly concerns not only the defense of Chile but also the security of the Western Hemisphere and the war effort of the United

Nations, I should greatly appreciate being furnished with any information which properly may be given on the PYL case.

Yours very sincerely, CLAUDE G. BOWERS

862.20210/2731

Memorandum by Mr. J. Daniel Hanley, Division of Foreign Activity Correlation [56a]

[Extracts]

[WASHINGTON,] February 10, 1944.

. . . . . .

The Legal Attaché at Santiago has prepared a short memorandum suitable for delivery to the Chilean Government. This short memorandum mentions by name the residence at the address of Kunsemuller [57] and states that broadcasts were made from this address and that the occupants of the house are members of a smuggling and espionage group; that they have attempted to foment pro-Axis revolutions in Latin American countries including Chile, and that they have sent espionage agents to other countries. The short memorandum also states that Kunsemuller is the "Pedro" of the German clandestine radio circuit formerly identified as GES-NOI who worked under Ludwig von Bohlen of the German Embassy. The short memorandum also states information concerning Kunsemuller's background.

. . . . . .

I suggest that Ambassador Bowers be informed immediately that the short memorandum concerning Kunsemuller should be delivered to the Chilean Government and that the more detailed memorandum being prepared, which should not contain any information which might implicate this Government or its representatives, be made available to Señor Garretón, Chief of Investigaciones.[58]

J. DANIEL HANLEY

862.20210/2768a : Telegram

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

WASHINGTON, March 2, 1944—7 p. m.

265. Information reaching Department indicates that PQZ Case is not being prosecuted effectively, that nine subjects in the case have

[56a] Addressed to the Chief and the Assistant Chief of the Division of Foreign Activity Correlation (George A. Gordon and Frederick B. Lyon, respectively), the Acting Chief of the Division of West Coast Affairs (Cecil B. Lyon), and Assistant Secretary of State Adolf A. Berle, Jr.

[57] Guillermo Kunsemuller Rothmann.

[58] This suggestion was carried out by Department's telegram 176, February 10, 1944, 5 p. m., to Santiago (862.20210/2731).

been released and that the Judge in charge refused to issue necessary orders for arrests, and the case gives every indication of following the same lines as PYL Case, which you will recall, through lack of proper legal procedure was allowed to completely disintegrate. Please discuss these questions with the Foreign Minister [59] emphasizing to him the necessity for taking vigorous and conclusive action.

Department intends to follow similar lines with the Chilean Ambassador here.[60]

STETTINIUS

825.00/2102 : Telegram

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

[Extracts]

SANTIAGO, March 10, 1944—3 p. m.
[Received 9 : 39 p. m.]

472. For Under Secretary,[61] Duggan,[62] Bonsal [63] and Lyon.[64] Apropos my observation to Fernández on release from incommunicado of some prisoners who had been interrogated, interesting to note that yesterday the judge reversed himself and ordered them held incommunicado. Suspect judge's last action on orders from President.

2. Sensational arrests yesterday. Gerardo Krebs, Kurt Veitl, and Dr. Juan Westermeyer of Staff of Military Hospital were arrested and judge ordered search of their houses. At the doctor's office at hospital they found 20,000 American dollars in bills which he had buried in his garden until the Timmermann [65] exposure led him to transfer the money to his office. At homes of Krebs found 300,000 pesos which he admits receiving from Timmermann and at Veitl's house 20,000 more American dollars. Understand list of those to receive money left by Von Bohlen, Air Attaché German Embassy, is found, and involves numerous persons and press implies some of these important.

. . . Last night investigations found 45,000 U.S. dollars hidden at little town of Tabo near Santiago in house owned by Timmermann; and at Timmermann's *fundo* in Malloco they found 20,000 Argentine pesos and 300,000 Chilean pesos and interesting documents.

. . . . . .

BOWERS

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[59] Joaquín Fernández Fernández.
[60] Rodolfo Michels.
[61] Edward R. Stettinius, Jr.
[62] Laurence Duggan, Director, Office of American Republic Affairs.
[63] Philip W. Bonsal, Deputy Director, Office of American Republic Affairs.
[64] Cecil B. Lyon, Acting Chief, Division of West Coast Affairs.
[65] Bernardo Francisco Timmermann, confessed head of the Nazi spy ring in Chile.

862.20210/2807

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

[Extracts]

No. 9241 SANTIAGO, March 25, 1944.
[Received April 11.]

SIR: With reference to the Department's strictly confidential instruction No. 3926 of March 14, 1944,[66] I have the honor to submit herewith a report of the developments in the PQZ espionage case since the handing of the Embassy's memorandum of February 14, 1944 [67] to the Minister for Foreign Affairs.

The memorandum, dated February 14, 1944, on the PQZ spy ring was handed to Señor Fernández, the Minister for Foreign Affairs, on February 14, and at the same time on an informal and confidential basis the Legal Attaché presented data to Señor Garretón, Director General of Investigaciones. The Ministry of Foreign Affairs and the Director General of Investigaciones acted immediately. Although one of the judges concerned refused to issue a warrant for the search and detention of the persons involved, Kunsemuller and others were apprehended by agents of Investigaciones and questioned at length. (Embassy's telegram No. 287 of February 16, 1944, 1 p. m.) [68] As a result of this questioning, Kunsemuller confessed that he was a German agent and the "Pedro" of the PYL clandestine radio case. Kunsemuller also admitted that he had transmitted messages to Germany as late as October 1943. This confession made the Law of Internal Security of January 1943 applicable to the case.

The Counselor of the Embassy had a conversation with the Minister for Foreign Affairs on February 19, and the latter agreed to make arrangements for extensive publicity in Chile regarding the discovery of the espionage ring (Embassy's telegram No. 304 of February 19, 3 p. m.[68]). The story of the discovery of the spies and of one of the radio stations having leaked out through Reuters and *El Imparcial*, on February 22 the Chilean Government decided to release the results of the entire investigation (Embassy's telegram No. 322 of February 22, 10 p. m.[68]). Up to that time the ten principal subjects and various others had been put in custody, and two clandestine radio transmitters and three receivers had been discovered. In his confession, Humberto Perez revealed that there had been links with German agents in Argentina. Having been given a first lead through the presentation of the Embassy's memorandum of February 14, 1944, Investigaciones and its Chief had acted promptly and vigorously in

[66] Not printed.
[67] Not printed; copy transmitted to the Department in despatch 8890, February 17, 1944, from Santiago.
[68] Telegram not printed.

apprehending the espionage agents and obtaining confessions and valuable information from them.

On February 23, the Chilean newspapers and periodicals comprehensively covered the PQZ arrests and also the assurance of the Minister of the Interior [71] that the prosecution of the persons arrested would be vigorous. (Embassy's telegram No. 327 of February 23, 1944.[72]) On the same day the Embassy found out from an authoritative source that Señor Fernández had been insistently behind the police investigations which resulted in the arrests and the break-up of the Timmermann espionage ring. When it appeared that the investigation would be delayed owing to the temporary absence from Santiago of the judge appointed for the issuance of the necessary warrants, Señor Fernández insisted that the search go ahead, and asserted that he would accept full responsibility before the Chilean Congress for any complaints of illegality, explaining that the all-important obligation of national security and international commitments had made the action necessary (Embassy's telegram No. 332 of February 23, 1944, 11 p. m.[72]). By March 3, ten of the PQZ subjects had been released (Embassy's telegram No. 395 of March 3, 4 p. m.[72]). However, the Embassy was informed by a person close to the President that the latter was determined to push the case strenuously and had given orders to Señor Garretón, Director General of Investigaciones, to rearrest any of the persons released who ought to be under detention. The information concerning the instructions given to Garretón by President Ríos was confirmed to the Legal Attaché by Garretón himself. As reported in the Embassy's telegram last referred to, it appeared that Fernández and the other executive officials of the Chilean Government concerned would not be able directly to influence the judicial proceedings in view of the strong tradition in Chile of the independence of the Judiciary.

Doubtless at the request of the Foreign Office, *El Mercurio*, *La Nación*, and other newspapers on March 8 emphatically demanded that more prompt action be taken in the investigation of the PQZ spies (Embassy's telegram No. 455 of March 8, 1944, 3 p. m.[72]). On March 9 President Ríos summoned the Chief Justice and asked him to urge the Judge [73] to act more vigorously in the PQZ case. The President warned the Chief Justice that any spy released by the Court would be immediately rearrested on his personal order and on his responsibility (Embassy's telegram No. 462, March 9, 2 p. m.[72]).

Owing to action taken by the President through the Chief Justice, on March 9 the judge reversed himself and ordered that various

[71] Oswaldo Hiriart.
[72] Not printed.
[73] Judge Baquedano Lira.

prisoners who had been released from an incommunicado status be again held incommunicado (Embassy's telegrams Nos. 472 of March 10, 3 p. m. and 484 of March 11, 2 p. m.[74]).

On March 17 Juan Westermeyer and Kurt Veitl were released from custody at the order of the judge. On the following day I protested vigorously to the Minister for Foreign Affairs against the action taken by the judge. Señor Fernández said that he would speak with President Ríos and would ask him to call in the Minister of the Interior to find out the real reason for the release of these men. The Minister for Foreign Affairs added that the President's instructions were to get to the bottom of the spy activities, no matter who might be involved.

. . . . . .

Since the submission of its memorandum dated March 9, 1944, a copy of which was furnished to the Department with the Embassy's strictly confidential despatch No. 9093 of March 10, 1944,[75] the Legal Attaché's office provides the following information concerning the discovery of further hidden money, new radio equipment, and interesting documents, as well as the judicial aspect of the case:

"Further investigation regarding subjects already described in the previous memorandum has disclosed important details. Among these details have been the discovery of new caches of money, new radio equipment, and interesting documents. The total of the money discovered to date is as follows:

"In American dollars bills there have been discovered $174,150.; in Chilean pesos, an approximate total of 838,000 pesos; in Chilean bonds, 90,000 pesos' worth; in addition, 24,000 Argentine pesos have been found. All of this money appears to have originated from Bernardo Timmermann who, in turn, received it from Ludwig von Bohlen, and it all has been conclusively tied in with the operation of this espionage ring. This money has been found in various places, including behind secret walls built in the safe of Bernardo Timmermann and in a secret hiding place in his father's summer home at Malloco, Chile, and in his father-in-law's summer home at Tabo, Chile. Other parts of the money have been distributed to various members of the ring and were found in their homes or hidden by them in various secret places. As reported previously, two transmitters and three receivers have been discovered by the police. This total has been raised by subsequent investigation. Thus a large and powerful transmitter was found in the paint factory of Juan Moller Petersen in Santiago, which was turned over to him directly by Hans Blume and Heinrich Reiners, who are fugitives in the PYL clandestine radio case. Another transmitter had been given to Jorge Ebensperger Grassau and had been left by him in a garage where he was working. This was destroyed on March 9th by two Germans employed at this garage and they are now in custody. The remains of the transmitter were found behind the garage.

[74] Latter not printed.
[75] Not printed.

"The documents, which were found hidden behind secret walls in Timmermann's safe and hidden underground on San Cristobal Hill by Hans Heinke, have proved to be extremely interesting. As yet they have not been fully identified nor analyzed, but they include a list of agents at the disposal of this group with their cover names, which list widens the ramifications of this ring enormously. In addition there were found blank Chilean passports and a blank Spanish passport and various blank Chilean *carnets*. Also, there were found passports of various persons, some of them already in custody, which passports were to be used after alterations for movements of agents in the group. Among the documents were also found formulas for secret inks, descriptions of codes, and other technical matters used in the operation of the espionage agents in Chile. Also were found receipts signed by various members of the group which, when analyzed, will give an indication of the monetary expenditures necessary to run parts of the German espionage in Chile. Reports by various agents were found which indicate that Ludwig von Bohlen, to whom all of these documents originally belonged, was receiving information from members of the Chilean armed forces and from informants planted in the air force and police services of Chile.

"All declarations taken in this case have been made available to the Legal Attaché's office and several of them indicate the close organization of this Chilean Division of German espionage with the Division in Argentina. This can be more fully analyzed later. At the present time it appears that the more important members of the agents so far apprehended were: Bernardo Timmermann, Hans Heinke, Guillermo Kunsemuller, Waldemar Koeser, Eugenio Ellinger Knoll, Hilde von Plate Timmermann, and Walter Thiele Bruggemann. There are, of course, several other very important agents whose activities have to a certain point been disclosed by investigation to date, which agents are now outside the custody of the Chilean authorities, most of them apparently having gone to Argentina before the start of this process.

The attitude of Judge Baquedano Lira in this case has been the occasion of much comment, as you realize. It appears to us that there is no basis for an allegation that the Judge is influenced by pro-Nazi sentiments, but it is quite evident that, either through the failure of proper judicial procedure for this type of case or the failure of the Judge intelligently to appreciate the scope of such a case, investigation and prosecution of the case may not reach the maximum results that we wish. However, it is believed that judicial action will be taken against the majority of the important agents involved up to the present time. It is true that the Judge has released a great many people connected with the case who, because of their connection with the case, should it is believed receive some punishment. Most prominent of these is the wife of Guillermo Kunsemuller because through declarations of Kunsemuller and documentary evidence seized in Timmermann's house, it is known that she played an active part in this espionage group. However, we are again faced with the characteristic attitude of Chilean authorities regarding female espionage agents. The Judge has tacitly admitted that prosecution against women involved in this case probably won't be severe."

I wish to emphasize the point brought out by the Legal Attaché's office to the effect that all the principal agents of the PQZ spy ring

are still in custody. Furthermore, I believe that President Ríos and the Minister for Foreign Affairs are interested in the prosecution of the civilian spies already apprehended in so far as they are able to effect this in the face of all the legal encumbrances which prevail. It is interesting to note that a reliable contact of the Naval Attaché's office was told on March 22 by Osvaldo Koch, attorney for the Nazis in both the Valdivia (Mewes) and PYL cases, that in his (Koch's) opinion most of the persons apprehended were guilty beyond a doubt and would be punished. Osvaldo Koch has apparently undergone a change in sympathies, for he also stated to the Naval Attaché's informant that he expected the crack-up of Germany at any moment.

With reference to my telegram No. 568 of March 25, 2 p. m.,[76] two of the Legal Attaché's assistants were informed yesterday by Chilean officials who are close to the case that so many high ranking Chilean Army officers were involved that the case would not be pursued publicly against them, but that they would be turned over to a military court. There is documentary evidence that one of the army officers (who is named in the evidence only by a pseudonym) actually engaged in espionage activities against his own country, furnishing information to the Germans concerning the strength of the armed forces in men and matériel, patrol routes of the Chilean Navy, and other vital matters. Furthermore, a reliable informant of the Naval Attaché's office was told several days ago by a well known Radical Deputy that not only were many army officers implicated but certain Radical Party leaders. Thus, it may be gathered that the Chilean authorities, and particularly President Ríos, will be loath to push the case much further for fear of the resultant scandal in the army and even in the Radical Party. The President has demonstrated time and again that one of his basic policies is to remain on friendly terms with the Army in order that he may have its support, which is essential to him.

Nevertheless, there is as yet no indication that the judge will drop the case against the German and Chilean civilians who have already been arrested and are the principal agents of the Nazis in the PQZ case. As stated in my telegram No. 568 of March 25, 2 p. m., Señor Fernández told me today the case against the civilians would be prosecuted to the limit. In confirmation of the information received by the Legal and Naval Attachés, the Minister for Foreign Affairs admitted that high ranking Army officers were involved in the affair and that the Chilean Government wanted no publicity concerning this aspect of the matter. He asserted, however, that these Army officers would be inconspicuously and gradually dismissed from the Army within the next three months.

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[76] Not printed.

The Embassy, as in the past, will follow the investigation closely and will keep the Minister for Foreign Affairs and the Sección [*Dirección*?] General de Investigaciones aware of its continuing interest.

In reaffirmation of my telegram No. 287 of February 16, 1944, 1 p. m., I want to state that the Legal Attaché, and in particular his assistants, Messrs. A. Kimball Dacy and William Shea, are to be highly commended with regard to the discovery of the PQZ spy ring, the apprehension through the Dirección General de Investigaciones of the Nazi agents and the furnishing of prompt and thorough information to me on the whole affair. Messrs. Dacy and Shea have been tireless in their efforts and have on many occasions worked the better part of the night with agents of Investigaciones in the development of the PQZ case.

Respectfully yours, CLAUDE G. BOWERS

862.20210/2853a : Telegram

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

WASHINGTON, April 19, 1944—8 p. m.

452. Department is gratified with progress in connection with PQZ case. Vigorous action in this case will also partially solve the problem presented by the PYL case, since some of the same individuals are implicated in both instances. However, other persons dangerous to hemispheric defense were prominent in PYL espionage activities and may not be identified with the PQZ ring. Equally vigorous action in the PYL case looking toward eventual prosecution, and employing the same type of examination of individuals as used in the PQZ matter might well produce additional information essential to the protection of Chile from subversive activities and to the defense of the hemisphere. In this connection, additional large sums of money earmarked for Axis espionage activities may be discovered.

Please inform Fernández of the above, expressing the hope that it will be possible to take further effective action in the PYL case.

HULL

862.20210/2854 : Telegram

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

SANTIAGO, April 25, 1944—3 p. m.
[Received 8 p. m.]

736. I am most surprised to receive the Department's telegram 465, April 21, 8 p. m.[77] particularly after the receipt of the Depart-

[77] Not printed; in this telegram the Department indicated that it could not comply with a Chilean request for copies of intercepted messages broadcast from Chile (862.20210/2846).

ment's affirmative telegraphic reply No. 457 of April 20, 6 p. m. to the request contained in my telegram 693, April 18, 1 p. m.[78] that the espionage messages broadcast from Chile be made available to the Chilean Government.

The desire of the Department that the United States Government not be implicated in this case as expressed in the Department's telegram 176 of February 10, 5 p. m.[79] has no bearing on the matter at this point because the Embassy has been implicated in it for over 2 months and this is well known in Chile. As the Embassy has repeatedly reported to the Department, members of the Legal Attaché's office have worked in close conjunction with officials of Investigaciones in the development of the case. Furthermore, *El Mercurio*, *El Diario Ilustrado* and other Santiago newspapers reported on February 23 that this vast spy ring had been discovered with the aid of the United States intelligence service. It would be hard to find a literate person in Chile so unimaginative as not to believe that we have an intelligence service here in wartime.

Chile is not a country controlled by a dictator but a democracy that functions under legal processes. For a prompt and complete prosecution of the case the Chilean judicial authorities must have (repeat must have) legal evidence against the spies in the form of these intercepted radio messages.

Resolution XIX of the Rio resolutions[80] provides that the Governments of the American Republics shall coordinate their national intelligence and investigation services for the inter-American exchange of information, investigations and suggestions for the prevention, repression, punishment and elimination of espionage. We certainly have very vital information to exchange right now. We cannot with grace urge the Chilean Government on the one hand to carry out these international commitments and on the other hand refuse to carry them out ourselves. Acting upon the Department's instructions, I have consistently called upon the Chilean Government to prosecute this espionage case with vigor, and now I am instructed to tell it that we cannot furnish essential information which we alone have. If we fail to turn over the desired radio messages, we shall be placed in a very unfortunate position and lacking in good faith.

For the reasons set forth above I recommend without reservation that I be authorized to furnish copies of the coded messages in order that the Chilean police may decode them and that the judicial authorities may use them in court. The police have the code books used by

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[78] Neither printed.

[79] Not printed.

[80] For correspondence 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. For text of Resolution XIX, see Department of State *Bulletin*, February 7, 1942, p. 132.

the spies and they have the spies to help in decoding the messages. Hence we shall be not only fulfilling our word but also getting information vital to our own security.

BOWERS

862.20210/2846 : Telegram

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

WASHINGTON, May 8, 1944—8 p. m.

542. From Berle. Interested agencies of this Government have reconsidered previous decision, and instruction set forth in my 465, April 21, 8 p. m.[83] is hereby cancelled. You are authorized to facilitate the effort of the Chilean authorities as recommended in the final paragraph of your 736, April 25, 3 p. m. [Berle.]

HULL

862.20210/2867

Memorandum by Mr. J. Daniel Hanley, Division of Foreign Activity Correlation

[WASHINGTON,] May 15, 1944.

The FBI just informed me that word has been received that the Court and Judge have decided that because the PQZ Case involves certain military personnel the Court is consequently without jurisdiction.

The PQZ Case is reported to have been reassigned to a Military Court.

There is no information available to indicate whether or not this is a desirable move.

862.20210/11–1344

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

No. 11086 SANTIAGO, November 13, 1944.
[Received November 25.]

SIR: I have the honor to refer to the Department's Secret Airgram No. A–673, October 27, 12:15 P. M., 1944,[83] in which the Embassy is requested to submit a despatch setting forth the present status of the PQZ espionage trial and, in the event that a final decision has not been reached by the Courts, to make an appropriate comment.

There is enclosed a copy of a self-explanatory memorandum dated November 8, 1944,[83] which was prepared for me by the Legal Attaché,

[83] Not printed.

who had been and is in close touch with Investigaciones and with Señor Luis Baquedano Lira, the Judge in charge of the case.

It will be noted that on November 6th Judge Baquedano sent his complete findings in the case, including the major facts, his opinion, and the sentences to be applied to the persons implicated, to the Attorney of the Court of Appeals of Santiago. Judge Baquedano told us that the Attorney would require two weeks to give his opinion concerning the sentences which should be applied. It is my understanding that the Judge is not by Chilean law bound to accept the opinions of the Attorney but is free to lay down the sentences which he himself recommended, if he so chooses.

The Embassy would prefer not to comment on the case until Baquedano has studied the report of the Attorney of the Court of Appeals and has made his final decision. If this decision is unduly delayed, further inquiries will be made of the Judge.

Respectfully yours, CLAUDE G. BOWERS

862.20210/11–2444

The American Ambassador in Chile (Bowers) to the Chilean Minister for Foreign Affairs (Fernández) [84]

SANTIAGO, November 23, 1944.

MY DEAR MR. MINISTER AND FRIEND: In view of your constant interest in the control of Nazi activities in Chile and in the apprehension and proper punishment of German agents, I take the liberty of inviting your attention to the fact that on November 16, last, Hans Graner Jeitteles, one of the principal assistants of leaders of the PQZ spy ring, was released by Judge Luis Baquedano Lira on a bail of 3000 pesos. The espionage leaders referred to are August Kroll and Humberto Perez.

Since Graner has a wife and home in Santiago and since he has asserted that he was not an active participant in the collection of espionage information, it does not seem likely that he will attempt to flee from Chile to another country. However, there are other German agents who were more active in the operations of the PQZ radio who, if released on such a small bond as 3000 pesos, would most probably attempt to escape justice by flight to another country. It is therefore hoped that the release on bail of Hans Graner will not constitute a precedent.

I have noted with great interest and satisfaction that Judge Baquedano expects shortly to lay down his decision and pronounce

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[84] Copy transmitted to the Department in despatch 11,170, November 24, 1944, from Santiago; received December 7.

sentences on thirty-four persons implicated in the PQZ case, including the following principal spies who were in the service of Germany:

Bernardo Timmermann
Augusto Kroll
Hans Heincke
Eugenio Ellinger
Guillermo Kunsemueller
Raul Malvino García
Anna Bradenkamp de Hellemann

The Embassy shares your interest in the prosecution of these Nazi agents and it is earnestly hoped that they will be given the punishment which they deserve.

COLOMBIA

DISCUSSIONS BETWEEN THE UNITED STATES AND COLOMBIA CONCERNING DEFENSE QUESTIONS[1]

821.24/855

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

No. 3315 — BOGOTÁ, February 4, 1944.
[Received February 16.]

SIR: I have the honor to enclose a translation of a communication dated January 31, 1944 [2] addressed to the Colombian Ambassador at Washington [3] by the Minister of War,[4] requesting the Ambassador to present to the War Department a request for war material to be used by the Atlantic Coast Defense in accordance with plans worked out between the Colombian Army and United States forces in the Canal Zone. It is requested by the Minister of War that the equipment be supplied from stocks in the Canal Zone, following the procedure set forth in the Embassy's despatch no. 3235 of January 19, 1944,[2] and that it be charged to Lend-Lease.[5]

The list of equipment desired for this purpose is not enclosed, because of its length and detail, but at the end of the list the following statement appears:

"The Military Mission of the United States has checked the above requisitions against the requirements of the Atlantic Coast Defense, according to the Plan agreed upon by the Minister of War of Colombia and the Commanding General of the Panama Canal Department, and believes that the Mission Recommendations correctly represent the needs of the Colombian Army.

/s/ M. G. Faris, Colonel,
Chief of U.S. Military Mission.

Approved
/s/ Domingo Espinel, General Colombian Army
Chief of Staff."

In transmitting to the Embassy this information the Minister of War has requested my support in helping to obtain approval of the request and rapid dispatch of the material. In view of Colombia's

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[1] For correspondence on the entry of Colombia into a state of belligerency with Germany, see *Foreign Relations*, 1943, vol. VI, pp. 1 ff.
[2] Not printed.
[3] Gabriel Turbay.
[4] Gonzalo Restrepo.
[5] For Lend-Lease Agreement between the United States and Colombia, signed March 17, 1942, see *Foreign Relations*, 1942, vol. VI, p. 189.

recent declaration of a state of belligerency, and the increasingly close military and naval cooperation between Colombia and the United States, it is my hope that this request will be given favorable consideration. While the matter is being taken up through the Colombian Ambassador at Washington, it would be helpful to me here to have information from the Department to assist the Embassy in maintaining friendly relations with the Minister of War.

Respectfully yours, For the Ambassador:
PAUL C. DANIELS
Counselor of Embassy

821.24/836 : Airgram

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

WASHINGTON, February 26, 1944—6:15 p. m.

A–162. The War Department has received General Brett's[6] recommendations covering the allotment to Colombia of military equipment to which you refer in your despatch 3235 of January 19 and your telegram 115 of January 22.[7] These recommendations have received the careful consideration of the War Department which has informed General Brett that it approves the delivery to Colombia of the following equipment:

Item	*Quantity*
Light Trucks 1½ T	20
Light Trucks ½ T.W.C	19
Motorcycles	15
Launches, motor	2 J–340 series
75 guns	20
37 Anti Tank	12
Mortars 60 mm	3 with mount
M.G. 30 Hv	24 Model 1917 A–1
Rifle, automatic, Cal. 30	189 M–1918 A–2
Shell H.E. (SC 75 mm.)	2400
Shell H.E. (NC 75 mm.)	9600
Shell H.E. (RC 75 mm.)	7200
Shell H.E. smoke (WP 75 mm.)	2400
Shell H.E. 37 mm. gun	360
Shot Armor piercing M–74 37 mm. gun	3000
Shell H.E. 60 mm. mortar	675
Cartridge AP (or ball) and tracer Cal. 30 (belted 4 to 1) M.G.	71400
Cartridge AP (or ball) Cal. 30	204120
Cartridge tracer Cal. 30	51030

The Department understands that all of this material will be forwarded to Colombia from the Canal Zone. It forms a portion of a list submitted to the Department by the Colombian Embassy bear-

[6] Gen. George H. Brett, Commanding General, Caribbean Defense Command.
[7] Neither printed.

ing the signature of Colonel Faris, former Chief of the United States Military Mission to Colombia. This list also comprises certain quartermaster material which the Colombian Government desires to obtain. As General Brett's recommendations contain no reference to this equipment, the Department has requested the War Department to ask him whether this matter also is receiving his consideration.

The Colombian Embassy has also presented a list of about 100 landplanes and seaplanes for training, combat and transport purposes. The Department will consult with the War and Navy Departments on this matter and will keep you informed.

STETTINIUS

821.24/839–2/4

Memorandum of Conversation, by the Chief of the Division of Bolivarian Affairs (Keith)

[WASHINGTON,] February 28, 1944.

Participants: Señor Dr. Don Gabriel Turbay, Ambassador of Colombia
Mr. Bonsal [8]
Mr. Keith

At the request of Mr. Bonsal, the Ambassador called at the Department at 3:30 at which time he was informed of the list of military items which had already received the approval of the War Department. He was informed that it was intended that these would go forward from the Canal Zone within the next week or two as soon as the ship was available for their transportation. Mention was made of the fact that already certain munitions had been delivered in Buenaventura on the fifteenth. The Ambassador emphasized how important it was to Colombia to receive the Lend-Lease equipment which had been requested, remarking that during the last two years practically no equipment had been supplied to Colombia. He added that he had personally given the whole subject a great deal of study and had endeavored to present the full story of their needs, by the presentation of the list attached to his recent memorandum, and by doing it in this way to have this list take the place of the numerous other requests which had been made in the last two years, and on which action had not thus far been taken. The Ambassador mentioned the interest which they had to obtain all the necessary equipment for one division. This included 4700-odd rifles and all the accompanying items of equipment for the individual soldiers in the regiment. He was told that it would be possible to give him more definite information regarding this part of the equipment after the War Department

[8] Philip W. Bonsal, Deputy Director, Office of American Republic Affairs.

had been able to study the situation a little further. Ambassador Turbay was also told that with regard to the airplanes, the question of their supply was being considered by both the War and Navy Departments and that, as one knew, today the tremendous demand for aviation equipment in all theaters of the war made it particularly difficult to supply some types of planes.

Dr. Turbay said that it was of great importance to his Government to obtain some Lend-Lease, that he felt that the opposition might be well justified in any criticism it might make of the present government for the very small quantities of Lend-Lease material thus far received, and that the impression of many of the Colombians was that Peru had received a far greater amount of Lend-Lease equipment, particularly of airplanes.

Mr. Bonsal told the Ambassador that he would endeavor to obtain more information on the subject of the Lend-Lease equipment which had been requested as soon as possible.

GERALD KEITH

740.00115 European War (1939)/8860 : Telegram

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

BOGOTÁ, March 15, 1944—noon.
[Received 6:30 p. m.]

498. Minister of War [9] informed me this morning that Acting President Echandía [10] has issued instructions to Director General of National Police [11] to effect internment of enemy nationals with the greatest urgency. General Espinel said that in his opinion the internment will take place this week.

I emphasized our desire that the more dangerous Germans should be deported to Panama in accordance with agreement already reached between the Colombian and Panamanian Governments.

General Espinel said that he is writing me a letter requesting under Lend-Lease four Douglas transport planes which are urgently needed. He said that a formal request has been or is about to be made by the Colombian Embassy in Washington. I said that I would be glad to endorse the request as both Colonel Densford [12] and Colonel Weeks [13] are convinced of the need of these planes but that I felt certain the

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[9] Gen. Domingo Espinel succeeded Gonzalo Restrepo as Colombian Minister of War in March 1944.

[10] Darío Echandía. As first designate, he exercised presidential powers while President Alfonso López was in the United States from November 19, 1943, to May 16, 1944.

[11] José Joaquín Caicedo Castilla.

[12] Col. Charles F. Densford, successor of Col. Melvin G. Faris as Chief of the American Military Mission in Colombia.

[13] Col. John A. Weeks, Military Attaché.

Colombian Government would have a greater chance to obtain this equipment if favorable action were taken with respect to enemy aliens.

LANE

810.20111/22 : Telegram

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

BOGOTÁ, March 23, 1944—11 a. m.
[Received 3 : 30 p. m.]

566. In Barranquilla on March 21 General Brett at my suggestion spoke to Secretary General of Foreign Office,[14] in presence of General Piedrahita [15] and myself expressing his disappointment that no action had as yet been taken regarding dangerous enemy nationals and pointing out that unless action were taken he would have no argument with War Department in obtaining further lend lease supplies which, according to Colombian Army, is urgently needed. I took occasion to remind Piedrahita and Caballero Escobar that at Bogotá meetings last December General Brett had offered to obtain lend lease equipment in view of Colombia's state of belligerency and that Colombian Government officials had then inquired how Colombia could best contribute to the war effort. General Brett had replied (1) by deporting and interning Axis sympathizers and (2) by stopping platinum smuggling. As Colombian query was spontaneous I added that there could be no question of our having used pressure as had been charged.

Caballero after making various excuses, especially the local political situation, promised to telephone Bogotá at once to acquaint government with General Brett's views. Later that evening Caballero quoted Foreign Minister Lozano as having said that within 36 hours action would be taken pleasing to General Brett.

El Tiempo of today states that 100 Germans are being interned today at Hotel Sabaneta at Fusagasugá.

Repeated to Panama for information of General Brett.

LANE

810.20111/23 : Telegram

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

BOGOTÁ, March 24, 1944—3 p. m.
[Received 7 : 15 p. m.]

576. Reference my telegram 566, March 23, 11 a. m. Fifty Germans were interned yesterday afternoon at the Hotel Sabaneta in Fusagasugá. Legal Attaché is obtaining list of names from the Colom-

[14] Caballero Escobar.
[15] Gen. Leopoldo Piedrahita, member of the Colombian General Staff.

bian National Police which will be forwarded to Department by next courier. Police plan to intern an additional 50 in the same location March 25. The government issued an official release explaining the motives for the action taken, pointing out that the government does not consider this as a penal measure but rather as a precaution in maintaining internal order as recommended in the various Pan American Conferences, and as a consequence of Colombia's state of belligerency.

This morning Dr. Caballero Escobar, Acting Secretary General of the Foreign Office, telephoned me and said that I had undoubtedly already heard of the action taken in interning the Germans, conveying the impression that this was a direct result of his conversation with General Brett and myself in Barranquilla and his subsequent telephone call to Bogotá. He added that this was only the first step and that additional steps would be taken in the near future.

There has been no unfavorable editorial comment on this move in the local newspapers as yet. Full text of official release will be forwarded by despatch.

LANE

821.248/297 : Telegram

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

WASHINGTON, March 31, 1944—8 p. m.

431. Your 526, March 18, 1 p. m.[16] The Colombian Government's request for 63 airplanes under Lend-Lease to meet the needs of the Colombian Air Force for 1944 has been submitted to the Munitions Assignments Committee. After giving careful consideration to the matter, the Committee has approved the assignment of the following planes:

AT–6	38	
AT–7	5	
PT–19	12	
C–45	1	
C–47	1	(on wheels)
J–4F	2	(on floats)
Link Trainers	3	

In reaching this decision the Committee assigned 12 AT–6's in lieu of the A–24's and 6 additional AT–6's to replace an equal number of P–40's, the assignment of which was cancelled owing to urgent military demands. In consideration of the Colombian need of transport planes the Committee allotted the AT–7's as this kind of machine can be used for transport purposes and together with the C–45 and C–47 should help fill Colombian requirements. The J–4F's are Navy type planes.

[16] Not printed.

The Committee's recommendation will be submitted to the Board [17] on March 31. There appears to be no reason, however, to believe that the Board will not approve the Committee's recommendation.

HULL

811.22721/242 : Airgram

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

WASHINGTON, April 15, 1944—3 p. m.

A–269. Your despatch 3151 of December 28, 1943 and 3213 of January 14, 1944 [18] concerning the Colombian Government's request to obtain training for 36 pilots.

The Department has been informed by the War Department that the training requested by the Colombian Government with certain reductions in the number of personnel to be trained can be accomplished by the War Department. Only 15 pilots can be trained at this time.

The War Department has suggested the following:

a. In view of the limited flying experience of these individuals, they should all be first sent to a primary flying school in the Flying Training Command through which they would be permitted to progress as rapidly as their abilities warranted. Thereafter, they would pursue the standard basic and advanced single engine flying training courses.

b. The group should have an officer in charge to act as a director or representative through whom all detailed arrangements would be made, including exercise of control over the group.

c. That each individual accepted for this training must have sufficient knowledge of the English language to enable him to take instruction in the English language and to receive and act upon instructions transmitted in English by radio.

The War Department desires to be informed whether these individuals are all officers or whether some are enlisted men.

The following is a summary of the current estimated costs per individual for phases of flying training for 15 students:

Primary Training	$2100
Basic "	4700
Standard Advanced Single Engine (not including P–40 transition)	4500

These costs are inclusive except for uniform, pay, burial, etc.

The War Department has requested that the financing of the above training should be done on the basis that services and material furnished will be covered by direct cash reimbursement to the United States Government.

HULL

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[17] Munitions Assignments Board.

[18] Neither printed.

821.248/305 : Telegram

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

BOGOTÁ, April 20, 1944—8 p. m.
[Received April 21—6:28 a. m.]

752. See my 745, April 19, 8 p. m.[19] On taking leave of Minister of War today I referred to President Echandía's endorsement of proposal to send Colombian aviators to the front for combat duty.

General Espinel said that in the event it were impracticable for technical reasons for us to accept aviators for combat duty he would be prepared to recommend that men be enlisted for duty from whatever branch of the Colombian Army which might best serve our needs.

Regardless of the merits of the Colombian offer from the point of view of effective military assistance I trust that the Department will agree with me that the implied psychological and political effects of the acceptance of the Colombian offer would be so far-reaching as to render highly desirable the Department's endorsement of the proposition.

LANE

821.24/934

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

No. 3806 BOGOTÁ, May 20, 1944.
[Received May 30.]

SIR: I have the honor to request that the Department forward to the Embassy comparative tables summarizing in readily understandable form, with dollar equivalents, the material and equipment which has been furnished to Colombia and Peru under Lend-Lease. It is assumed that this information is readily available to the Department and can be assembled in such form as to facilitate a comparison between Lend-Lease assistance to Colombia as compared with such assistance to Peru.

The reason for this request is that during recent weeks I have observed concern on the part of many responsible Colombians lest American Lend-Lease assistance to Peru may come to constitute a military threat to Colombia; as well as the wide-spread belief that much more military equipment has been sent to Peru than to Colombia. In view of the continuation of alarmist rumors regarding alleged Peruvian aggressive intentions, whether against Ecuador or Colombia, and in view of the desirability of disassociating such rumors from Lend-Lease assistance extended by the United States for purposes of hemispheric defense, it is believed desirable for the Embassy to have

[19] Not printed.

complete and accurate information of the type indicated above for background purposes. It is not meant to imply in this request that further military equipment should necessarily be forwarded to Colombia; rather it is merely that with full possession of the facts the Embassy will be in a better position to take such action as may be appropriate in allaying unfounded fears and suspicions.

It is suggested that these tables should include not only such military equipment as has actually been delivered to the two countries, but also all outstanding commitments.

Respectfully yours, PAUL C. DANIELS

821.20/293 : Airgram

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

WASHINGTON, June 19, 1944—6 : 30 p. m.

A–434. Your 706 of April 14.[20] The Department has received a letter from the Secretary of War [21] with reference to training of Colombian Army Aviators for combat duty stating that views transmitted in War Department's letter of May 22 (see Department's A–417 of June 13 [22]) are also applicable to the employment of small groups of aviators from any of the American Republics. War Department adds however that in appreciation of the beneficial effect which such cooperation would have on our relations with these countries, it is now investigating the feasibility of establishing a special training program whereby courses of instruction in appropriate phases of military activity would be offered to the military personnel from such countries.

War Department has informally stated that such a program, even if found to be feasible, would not make it possible to utilize the trained men in active theaters.

[HULL]

821.24/6–2644

The Secretary of State to the Colombian Ambassador (Turbay)

[WASHINGTON, June 26, 1944.]

EXCELLENCY: I have the honor to refer to the Department's note of December 16, 1942 [20] concerning the presentation of schedules and accounts of deliveries of, and payment for, defense articles made

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[20] Not printed.

[21] Henry L. Stimson.

[22] Not printed; it quoted the War Department's letter of May 22, 1944, which indicated that the disadvantages of arranging for 300 Colombians to serve actively in the war outweighed the advantages (821.20/293).

available to the Colombian Government under the terms of the Lend-Lease Agreement signed on March 17, 1942 between the United States of America and the Republic of Colombia.

In this connection there are enclosed two copies of a statement [25] prepared by the Foreign Economic Administration concerning the materials and equipment transferred to the Government of Colombia up to the date of March 31, 1944. It is noted that the total amount of the items listed is $3,059,167.53. In addition to the copies of the statement mentioned, there are enclosed three copies of detailed schedules and lists of supplies and equipment [25] arranged under the headings of the respective divisions of the agencies through which the materials were obtained.

The Department will submit at a later date a supplementary statement which will include such additional items as may be delivered to the Government of Colombia subsequent to March 31, 1944 and which do not appear in the enclosed statement.

I should be pleased if Your Excellency would be so kind as to transmit copies of the enclosed statement, schedules and accounts to the appropriate officials of the Colombian Government to the end that steps could be taken to effect the payments to this Government in the manner prescribed in Article II of the March 17, 1942 Agreement.

It would be appreciated if payment could now be made in the amount of $1,200,000.00 which is due as of June 30, 1943, in the form of a check drawn to the order of the Treasurer of the United States of America, which could be sent to this Department for appropriate disposition.[26]

For reasons of military security, I trust that the schedules and accounts which are enclosed herewith will be treated by Your Excellency's Government on a most confidential basis.

Accept [etc.] For the Secretary of State:
DEAN ACHESON

821.00/7–1444 : Telegram

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

BOGOTÁ, July 14, 1944—8 p. m.
[Received July 15—6:45 a. m.]

1253. In connection with last paragraph of my telegram 1240 [*1254*], July 13, 7 p. m.[25] President López said to me today that what was needed above everything here is a sufficient number of rifles for the national police.

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[25] Not printed.

[26] Payment was received for the full amount under cover of a note from the Colombian Embassy dated August 16, 1944 (821.24/8–1644).

He confirmed to me what the Department and the Embassy have known for some time that there is great friction between the army and the police. He said that the recent developments have shown that the police is loyal to the Government and that there is jealousy for that reason between the police and the army. He said that his intention is if arms and ammunition can be obtained for the police to declare publicly that Lend Lease material is being received for that purpose.

I consider the foregoing to be a most dangerous development in the internal situation here. If news of this should reach the public and the army I am apprehensive lest it might bring about a further and more serious revolt than that which has just ended.[27]

I respectfully suggest that this point of view be kept in mind in connection with any requests which may be received for further arms and ammunition on behalf of the police.

LANE

821.00/7–1444 : Telegram

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

WASHINGTON, August 8, 1944—9 p. m.

973. Ambassador Turbay has presented a memorandum [28] requesting 5,000 rifles and an appropriate amount of ammunition for the Army. No mention was made of rifles being needed for the Police.

The War Department might be able to provide the rifles but would be disposed to deliver them only in the event that impelling political considerations made this advisable. Rifles are naturally in very short supply at this time.

In the light of the foregoing, and having in mind the contents of your telegram no. 1253 of July 14, 8 p. m., the Department would appreciate receiving your recommendations at this time as well as any additional observations you may wish to make.

STETTINIUS

821.24/8–2844 : Telegram

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

BOGOTÁ, August 28, 1944—7 p. m.
[Received August 29—1 a. m.]

1509. At a luncheon today For Minister Echandía [29] spontaneously brought up with me policy of granting arms and munitions to South

[27] The so-called Pasto Rebellion of July 10, 1944, which was suppressed and followed by court martial proceedings against some 90 persons, of whom 65 were army officers.

[28] Not printed.

[29] Minister for Foreign Affairs.

American countries under lend-lease and fixed appointment for Wednesday at 5 to discuss it. He did not specifically mention request for 5000 rifles made by Ambassador Turbay and it is possible that he wishes to speak of the apprehension which a number of Colombians feel that Peru has received a disproportionately large amount of lend-lease material. As the question of lend-lease may naturally lead to a discussion of the specific request for 5000 rifles it would be especially helpful for me to have an answer to the questions raised in my 1505 of today [30] by Wednesday morning at latest. See my airgram 714, August 10.[31]

This afternoon ex-President Santos reiterated to Donald Heath [32] and myself his private anxiety regarding our arming South American countries under lend-lease for the following reasons:

(1) The increase in military strength of South American nations will not only be used against other countries but against the institutions of the country itself. He illustrated his point by saying that the growth in strength of the military element in Argentina has resulted not in war but in the destruction of the democratic structure of Argentina.

(2) The people in South American countries (and he cited Colombia, Ecuador, Venezuela, Peru, and Chile) are so poor that the increase in expenditures for military purposes cannot be justified economically.

It would be helpful to us in obtaining a more accurate comprehension of the situation if Department would send for Embassy's confidential information the data requested in Embassy's despatch 3806, May 20th.

LANE

821.24/8–2844 : Airgram

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

WASHINGTON, September 4, 1944—10 a. m.

A–598. Reference the last paragraph of the Embassy's despatch no. 3806 of May 20, 1944 and the Embassy's telegram 1509, August 28, 7 p. m., it does not appear that the detailed information you request would be useful for the purpose you indicate, since for your secret information, the total figure in the lend-lease agreement and the sum total of actual deliveries is larger for the other country.

HULL

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[30] Not printed; the Ambassador wished to know whether the rifles could be obtained lawfully for police work under lend-lease (821.00/8–2844).

[31] Not printed.

[32] Chief, Division of North and West Coast Affairs.

821.24/9–644 : Telegram

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

BOGOTÁ, September 6, 1944—8 p. m.
[Received September 7—2 : 55 a. m.]

1537. ReDeptel 1049, August 29, 8 p. m.[33] I took up with Minister of Gobierno [34] today the matter of 5,000 rifles for the national police. I mentioned my previous conversations with President López and with Minister on this matter and said that in order to be helpful I should like fuller information regarding Colombian Government request. I pointed out that request had been in general and not in specific terms and that according to memorandum left with Department by Ambassador Turbay [35] rifles are intended for Colombian Army and not for national police as stated by President and Lleras.

Lleras Camargo said that Government had deliberately made request in general and not specific terms in belief that if request were restricted to a specific type of rifle it would be more difficult for us to grant request. He said the following is Colombian Government's preferred request:

5,000 semi-automatic carbines model M–31 General Motors 5–43 (Inland Manufacturing Division) with ammunition. Caliber M–1 weight 5 pounds, 2 clips with capacity for 15 cartridges each.

Lleras Camargo said that as carbines cannot be used by the army the army would turn them over to the police in the event that delivery were made to the army. The idea of the President and Lleras, however, he said was to request the rifles and ammunition directly for the police to avoid the added complication of dealing through the army.

As to the general situation in the army Lleras said that the verbal courts martial [36] are almost finished and that with the exception of the four colonels results of which will be announced today or tomorrow and the most important trial of all, that involving General Pizarro, all of the remaining trials involved "small fry".

The Government's expressed desire is to obtain the arms and munitions solely for the purpose of maintaining local order and I believe that the Government is now desirous of avoiding friction between the army and police. Obviously failure on the part of the Government to maintain order would react adversely to our interests.

LANE

[33] Not printed.
[34] Alberto Lleras Camargo.
[35] Memorandum of July 27, 1944, not printed.
[36] This refers to the trials following the so-called Pasto Rebellion of July 10.

821.24/9–944

Memorandum by the Acting Assistant Chief, Division of North and West Coast Affairs (Woodward), to the Acting Director, Office of American Republic Affairs (Armour)

[WASHINGTON,] September 9, 1944.

On July 27, the Colombian Ambassador presented an official memorandum [37] to the Department requesting 5,000 rifles for the Colombian Army. The President of Colombia had some weeks before indicated an interest in obtaining 5,000 rifles for the Colombian National Police in order to promote stability within Colombia, the implication being that he had some doubt concerning the loyalty of the Army. Ambassador Lane indicated some apprehension, which Mr. Keith shared, that the provision of 5,000 rifles to the National Police might encourage internal competition between the National Police and the Army. Mr. Keith thought that the request for 5,000 rifles for the Army might be a method of obtaining the 5,000 rifles which the President of Colombia wanted for the Police—the Army being specified as the receiving agency because that would permit delivery of the rifles through the regular Lend-Lease channels.

Several weeks ago, Ambassador Lane was requested to give his views concerning this matter. He has now indicated, in the last paragraph of the attached telegram,[38] that he believes the 5,000 rifles would be used to promote Colombian internal stability and that failure of the Colombian Government to maintain such stability would react adversely to our interests. This now appears to be a recommendation that the 5,000 rifles be provided to the Colombian Government, for disposition to the Army or the National Police as it may see fit. (The standard form of Lend-Lease agreement which was signed with the Colombian Government provides for the delivery of matériel to the Colombian Government as such and not to any particular agency. Mr. Duggan [39] has pointed out in a memorandum [40] which he prepared shortly before his departure from the Department that one of the original purposes of Lend-Lease for the other American Republics was to assist in maintaining internal stability during the war period.)

Mr. McGurk [41] and Mr. Woodward have now discussed this matter and have agreed in the view that it would now be desirable to recommend that the 5,000 rifles be provided to the Colombian Government. The War Department indicated several weeks ago that these rifles

[37] Memorandum of July 27, 1944, not printed.
[38] Telegram 1537, September 6, 8 p. m., *supra*.
[39] Laurence Duggan, formerly Director, Office of American Republic Affairs.
[40] Memorandum of July 18, 1944, not printed.
[41] Joseph F. McGurk, Acting Deputy Director, Office of American Republic Affairs.

could be obtained if they were considered necessary by the Department of State. It would be appreciated if Ambassador Armour would indicate whether he approves the view in which Mr. McGurk and Mr. Woodward have agreed.[42]

ROBERT F. WOODWARD

821.24/9–2644

Memorandum of Telephone Conversation, by the Acting Assistant Chief, Division of Foreign Activity Correlation (Longyear)

[WASHINGTON,] September 26, 1944.

I called Colonel Meals [43] in order to apprise him of recent developments in the matter of the Colombian request for five thousand rifles. I informed him that we had had several exchanges of telegrams with Ambassador Lane at Bogotá and that it had finally been determined by the officers in ARA and in NWC [44] that this quantity of rifles should be provided to Colombia if they are available, and preferably on a cash basis.

Colonel Meals immediately reiterated the War Department's view that, in the light of requests for such armament from virtually every other American republic, the allocation of five thousand rifles to one of them would bring about great pressure from the others to have their requests filled.

I pointed out that the Colombian Government's request was on a more specialized basis, as it had reference to the providing of adequate equipment to the police for maintaining order and that the Colombians were willing to pay for the rifles. I admitted, however, that this basic purpose had been somewhat clouded in the course of the development of this affair as the Colombian Ambassador had made the request on behalf of the Army and as Ambassador Lane had indicated that the Chief of Police had been seriously concerned and had requested of Ambassador Lane this quantity of rifles for the use of the police.

Colonel Meals then indicated that the War Department would be reluctant to share the responsibility for such an intervention in the internal affairs of another country and offered the opinion that providing armaments to maintain a regime in power was something in which the War Department did not wish to become involved.

I endeavored to give Colonel Meals a somewhat different point of view regarding the purpose of this request of the Colombian Govern-

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[42] Mr. Armour noted on the margin: "I agree that the rifles should go along."

[43] Lt. Col. Robert W. Meals, American Theater Section, Operations Division, War Department General Staff.

[44] Office of American Republic Affairs and Division of North and West Coast Affairs, respectively.

ment by suggesting that failure to provide the police with adequate armament to maintain order, after being informed that the police equipment was so obsolete that ammunition could not be obtained for it, might develop into a condition requiring much greater intervention; and so far as the maintenance of the present regime in power was concerned, it was not beyond the realm of possibilities that certain developments might conceivably alter the loyalties of the forces receiving such armaments to the detriment of the present regime; the furnishing of arms necessarily involved the element of chance.

I indicated to Colonel Meals the type of rifles are "5,000 semi-automatic carbines model M–31 General Motors 5–43 (Inland Manufacturing Division) with ammunition. Caliber M–1 weight 5 pounds, 2 clips with capacity for 15 cartridges each". Colonel Meals at once said that these could not be provided and they were in insufficient supply for our own troops and indicated that any rifles that would be made available would probably be Springfields.

Colonel Meals then stated that a written request from the Department of State on the basis of what I had told him would probably result in a negative reply from the War Department and he inquired whether the matter was of such urgency that it could not be deferred for a few months pending the determination of a basic over-all policy which, he gave me to understand, he had discussed in some measure recently with General Brett. The policy as suggested by Colonel Meals, and in particular connection with the provision of rifles and ammunition appeared to contemplate the establishment of a stock of 5,000 to 10,000 rifles and appropriate ammunition (once Colonel Meals mentioned 50,000 rifles, but, in view of his later comments, the former figure is believed correct) at Panama to be delivered in small lots to petitioning countries. Such deliveries will be made at the discretion of General Brett (or his successor) when, in his opinion, the countries requesting the rifles had indicated by their organizing of national troops along American lines and their ability to absorb training along the lines laid down by our military missions that they were willing to "play ball" with us. I told Colonel Meals that, while I agreed that an over-all plan was desirable in connection with the problems involved in coordinating hemispheric defense, it appeared that this request of the Colombian Government lay outside that field and deserved consideration upon its merits, particularly as the Colombians offered to buy the rifles. I suggested that if they could not purchase the rifles from us, they might very well seek to obtain them from other sources, but Colonel Meals pointed out that, with the exception of Brazil, he doubted that any country in the world had any rifles to spare and that those that Brazil had to spare were probably so obsolete that a serious ammunition problem would remain a

stumbling block as it is now to the use of obsolete equipment by the Colombian Army.

I terminated the conversation by saying that I would report its essentials to the officers concerned in ARA and NWC and that I thought it would be helpful if a meeting could be arranged to endeavor to find a common ground upon which the Colombian request could be furthered. Colonel Meals expressed himself as very willing to attend such a meeting and I informed him that I would suggest one being called as soon as convenient to the officers concerned.

ROBERT DUDLEY LONGYEAR

821.24/9–244

The Secretary of State to the Colombian Ambassador (Turbay)

[WASHINGTON, October 6, 1944.]

EXCELLENCY: I have the honor to transmit herewith two copies each of a statement prepared by the Foreign Economic Administration and supporting schedules [45] reporting charges made against the Government of Colombia for the period from April 1, 1944 through July 31, 1944 covering articles transferred to the Government of Colombia, in accordance with the terms of the lend-lease agreement signed on March 17, 1942 by the United States of America and the Republic of Colombia.

It will be noted that the amount of the charges under reference is $1,266,278.03. It will be noted further that the total charges made through July 31, 1944 for all lend-lease articles transferred to the Government of Colombia aggregate the grand total of $4,325,445.56.

Of this grand total the sum of approximately $1,922,000 represents the appropriate percentage of reimbursement due from the Government of Colombia. Since your Excellency's Government has already made a reimbursement payment in the amount of $1,200,000, the unpaid balance due is $722,000.00.

It would be appreciated if the payment of this balance of $722,000.00 could now be made in the form of a check drawn to the order of the "Treasurer of the United States, for the account of the Foreign Economic Administration".[46] Such check should be sent to this Department for appropriate disposition.

The Department will submit at a later date an additional statement prepared by the Foreign Economic Administration which will report similar charges made subsequent to July 31, 1944 and which do not appear in the enclosed statement.

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[45] None printed.

[46] Payment was received under cover of a note from the Colombian Embassy dated November 27, 1944 (821.24/11–2744).

For reasons of military security, may I request that the enclosed schedules be treated by your Excellency's Government on a most confidential basis.

Accept [etc.] For the Secretary of State:
G. HOWLAND SHAW

821.24/10–744

Memorandum by the Chief, Division of North and West Coast Affairs (Heath) [47]

[WASHINGTON,] October 7, 1944.

After reading Mr. Longyear's memorandum [48] attached, I am of the opinion that:

(1) We should not further press the matter of the Colombian request for 5,000 rifles for its police at this time.

(2) After a few days we should inform Ambassador Turbay orally that we have so far been unable to obtain the release of these rifles.

(3) Our Ambassador in Bogotá should be informed that we are unable at this time to obtain these rifles but that he should not run to inform the Foreign Office of the news but only mention that the question was brought up.

We are far from convinced here that the Colombian police have not sufficient arms to put down a civilian disturbance. We also believe that one reason for the Colombian request is to arm the police to withstand a military coup. We sympathize with their desire to maintain a stable civil government but we are not convinced that an extra stock of ordinary rifles would be sufficient against a well-organized military revolt.

If at this time we press the War Department to make an exception in this case we weaken our position of objecting when some of our military missions enthusiastically request unneeded extra armament for the armies of the countries where they are stationed (such as delivering bombers to Peru).

DONALD R. HEATH

821.248/10–1044

Memorandum by Mr. Bainbridge C. Davis, Division of North and West Coast Affairs [49]

[WASHINGTON,] October 10, 1944.

I have been informed by Mr. Johnson of RL [50] that General Brett wishes to sell to Colombia twelve AT–24 planes. This type of plane

[47] Addressed to Mr. Bainbridge C. Davis of the Division of North and West Coast Affairs, and to Mr. Armour and Mr. Longyear. Mr. Davis and Mr. Armour indicated their concurrence.

[48] Presumably the memorandum of September 26, p. 817.

[49] Addressed to Mr. Heath, Mr. McGurk, Mr. Armour, and to Mr. Stokeley W. Morgan, Chief, Aviation Division.

[50] Joseph E. Johnson, Chief, Inter-American Section, American Republics Analysis and Liaison Division.

was originally designed as a dive bomber, but has recently been used by our air forces as an advanced trainer. These planes are no longer in short supply and are considered obsolescent as bombers. A few months ago the Colombian Government requested some AT–24's but the application was rejected on the grounds that the planes were in short supply.

These planes would be delivered to Colombia as advanced trainers without any combat equipment for "operational training". It is my understanding, however, that it would not be technically impossible to convert these planes for combat use whenever the Colombian Government so desires. It might be difficult to accomplish without technical assistance and our help in getting equipment.

This Department's policy is and has been for some months to approve the transfer to the other American republics of training planes, but not combat planes. The proposal to transfer AT–24's to Colombia presents a borderline case of some importance to our future policy. It is difficult enough to be logical in furnishing equipment to train the neighboring republics in aerial warfare while at the same time withholding the bombers and other implements with which to attack each other. If we are now to approve the delivery of planes which were designed as dive bombers and can be reconverted to that purpose, on the ground that they are called training planes today, we are making it practically impossible for ourselves to follow any consistent policy.

I am looking at this problem from the standpoint of general policy and not the particular country involved. I believe that Colombia is less likely than most of the American republics to use bombing planes against its neighbors. However, it will be noted that we have been warned by the President of Colombia and the Foreign Minister, and repeatedly by former President Santos,[51] that the policy of arming the other American republics would lead to discord and conflict between the American republics and is no longer justifiable on the grounds of continental defense against external aggression. *El Tiempo*, the leading newspaper of Colombia and one of the outstanding papers of South America, has expressed itself strongly in the last few weeks in its leading editorial along the same lines.

It will be increasingly difficult as large quantities of armaments become available to resist the desire of the War and Navy Departments to sell or give these weapons as a "friendly" gesture to the other American republics. Unless we are willing to take a clearly defined and consistently firm attitude in respect to such plans and of course use our influence to prevent the arming of these countries

[51] See telegram 1509, August 28, 7 p. m., p. 813.

by other nations, we shall be making much more difficult our task of keeping peace in this hemisphere.[52]

821.24/11–1344

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

No. 2628 [WASHINGTON,] December 12, 1944.

SIR: Reference is made to the Embassy's secret telegram no. 1537 dated September 6, 1944 regarding the Colombian request for 5,000 rifles to be used by the National Police Force.

As you know, the Colombian Government's request for these rifles was discussed informally by officers of this Department with the appropriate officials of the War Department,[53] and as a result of these conversations and subsequent conversations which were held with these officials, the War Department gave very careful consideration to this matter. The conclusion was reached, however, that it would be impossible to supply either rifles or carbines of any type.

As a result of the conversation which you held with Major General John E. Hull, Major General H. A. Craig and Colonel Parmer W. Edwards, a further study has been made of alternative equipment which might be made available to the Colombian Government under the terms of the Lend Lease agreement, and the results of this study are set forth in a memorandum from Colonel Edwards, a copy of which is enclosed.[54] The War Department has made it clear that the actual decision on any such assignment of materials under Lend Lease must be made by the Munitions Assignments Committee.

Your attention is called to the fourth paragraph of the enclosed memorandum in which it is indicated that before any action can be taken by the Committee, it will be necessary for the Department to receive a request from the Colombian Government supported by your very strong endorsement. Furthermore, it will be necessary for the Secretary of War to receive from the Secretary of State a letter certifying that this transfer is considered necessary due to the highest political and diplomatic considerations.

In considering whether the Colombian Government should be informed regarding the War Department's suggestion as to possible

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[52] This proposed policy was approved by all of those to whom addressed. The Department of State informed the War Department of its position, and the latter agreed to cancel the assignment of the planes.

[53] Meeting of November 4, reported in memorandum of November 7, 1944, not printed (123 Wiley, John C.).

[54] Dated November 13, 1944, not printed; it indicated that allocation of military equipment based on political and diplomatic considerations was contrary to War Department Lend-Lease policy and that the prerogative of allocation belonged to the Munitions Assignments Board (821.24/11–1344).

alternative supplies, you will of course wish to bear in mind that this Government has adopted the general policy of drastically curtailing shipments of Lend Lease material to the other American Republics with the exception of material which will be directly and effectively used in the actual prosecution of the war. Therefore, unless there are the most compelling reasons for deviating from this policy, this Government does not wish to lend any encouragement to requests for additional equipment. Furthermore, President López, Foreign Minister Echandía, and ex-President Santos have expressed strong and outspoken opposition to the continuance of Lend Lease shipments to the other American Republics. These statements were reported in the Embassy's Telegrams No. 1416 of August 10, 1944, No. 1509 of August 28, 1944, and No. 1554 of September 8, 1944 and in the Embassy's Despatch No. 4492 of September 25, 1944.[55]

You will recall that the request for 5,000 rifles was first brought to the Department's attention by Ambassador Turbay, who personally delivered to an officer of the Department an informal memorandum dated July 27, 1944, a copy of which is enclosed for the Embassy's files.[56] On October 11 the Ambassador called upon the Acting Director of the Office of American Republic Affairs [57] with further reference to this request, and at that time was informed that although we had been unable to obtain release of the rifles we would re-examine the matter. A copy of a memorandum of this conversation is likewise enclosed for the Embassy's files.[56] No reply has yet been made to the July 27 memorandum, and the Department has not told Ambassador Turbay of the possible availability of the alternative equipment mentioned in the War Department's memorandum of November 13, 1944.

Taking into account all of the above mentioned factors, the Department would appreciate receiving at the earliest possible moment an expression of your opinion as to whether, in informing the Colombian Government of the impossibility of meeting the request for 5,000 rifles, it would be desirable to suggest that application be made for the alternative equipment. As you know, any such application should be presented through the Colombian Embassy in Washington, even though you may wish to transmit a despatch supporting it. In view of the fact that Ambassador Turbay presented and has been actively following the request for rifles, it would seem wise for the Department to mention the alternative equipment to him at the same time that you discuss the matter with the appropriate authorities in Bogotá. Accordingly, if you feel that we would be justified in supporting this

[55] None printed, with the exception of telegram 1509, August 28, p. 813.
[56] Not printed.
[57] Norman Armour.

request on the basis of highest diplomatic and political considerations, it is requested that the Department be so informed by telegram.

Very truly yours, EDWARD R. STETTINIUS, JR.

821.24/12–1444 : Telegram

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

BOGOTÁ, December 14, 1944—3 p. m.
[Received 8:50 p. m.]

2017. From Wiley.[58] Thank you for your 1373, December 13, 4 p. m.[59] I had not intended to discuss matter until raised by Colombian Government. I regret that attitude of OPD [60] of the War Department has apparently made it necessary for the Colombian Government to turn to the Mexican Government for equipment for the National Police. [Wiley.]

DANIELS

AGREEMENT BETWEEN THE UNITED STATES AND COLOMBIA WITH RESPECT TO THE APPLICATION OF THE UNITED STATES SELECTIVE TRAINING AND SERVICE ACT OF 1940, AS AMENDED, TO COLOMBIAN CITIZENS RESIDING IN THE UNITED STATES

[For text of the agreement, effected by exchange of notes, signed at Washington, January 27, 1944, see Department of State Executive Agreement Series No. 407, or 58 Stat. (pt. 2) 1296.]

AGREEMENT BETWEEN THE UNITED STATES AND COLOMBIA CONCERNING THE PROCUREMENT OF STRATEGIC MATERIALS, SIGNED JUNE 16, 1944 [61]

[By an exchange of notes, not printed, both Governments expressed their acceptance of a new contract between the Rubber Development Corporation and the Caja de Crédito Agrario Industrial y Minero, the object of which was to increase the production of rubber through an increase in the premium payment. Both Governments also expressed their understanding that certain obligations and commitments incurred by the Corporation were fully discharged.]

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[58] John C. Wiley, Ambassador Designate to Colombia.

[59] Not printed; the Department instructed that conversations be suspended on the Colombian request for rifles (821.24/12–1344).

[60] Operations Division.

[61] For correspondence on previous negotiations, see *Foreign Relations*, 1943, vol. VI, pp. 14 ff.

DISCUSSIONS BETWEEN THE UNITED STATES AND COLOMBIA REGARDING TRADE[62]

103.9169 Bogotá : Telegram

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

BOGOTÁ, February 24, 1944—6 p. m.
[Received February 25—12:56 a. m.]

320. For FEA.[63] Reference is made to circular Airgrams of February 15[64] proposing the elimination from import recommendation procedure effective March 1 of five groups of commodities. Upon receiving those proposals from the Embassy Dr. Diego Mejía, head of the Office of Exchange and Export Control, immediately signified his complete acceptance of and deep satisfaction with these and any other proposals which may be forthcoming which will simplify the importation of commodities from the United States. Under present Colombian policy no independent national import controls are in effect or contemplated.

. . . . . .

LANE

103.9169/3187 : Airgram

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

BOGOTÁ, April 6, 1944—6:30 p. m.
[Received April 17—2 p. m.]

A-320. For Foreign Economic Administration. Reference is made to the Department's Circular Airgram of March 30[65] relevant to a further rollback of Decentralization to a minimum positive list as of July 1, 1944.

As stated in the Embassy's Telegram No. 320 of February 24, Dr. Diego Mejía, Head of the Office of Exchange and Export Control, signified his complete acceptance to any proposals which may be forthcoming which will simplify the importation of commodities from the United States. In a recent conversation he stated that he would welcome all simplifications and confirmed the Colombian Government's desire, as expressed in our Telegram No. 51 of January 13,[64] of eliminating from Import Recommendation requirements all articles not

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[62] For previous correspondence on arrangements for the control of exports from the United States to Colombia, see *Foreign Relations*, 1943, vol. v, pp. 174 ff.; for correspondence on trade in strategic materials in 1943, see *ibid.*, vol. VI, pp. 14 ff.

[63] Foreign Economic Administration.

[64] None printed except airgram dated February 15, 11:40 a. m., p. 653.

[65] Not printed.

under specific quota from the United States or Canada to Colombia. Commodities principally affected by this removal would be Cotton Wearing Apparel, Cotton House Furnishings, Wool Wearing Apparel, etc. The Embassy would also welcome this removal.

The Embassy is of the opinion that the present policy of freeing the importer of all possible restrictions by reducing to a minimum the paper work for exporters and importers on shipments will not only facilitate shipments to Colombia but will serve to strengthen our future trade position in this country.

Since it is the desire to propose a further rollback of Decentralization to become effective July 1st, the Embassy wishes to point out to the Department that Import Recommendations for the third quarter are now being received by the Colombian Certifying Agency, and it is hoped that the Embassy may be furnished the final list by May 1, at the latest, so as to avoid uselessly processing the Import Recommendations affected.

LANE

103.9169 Bogotá : Telegram

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

WASHINGTON, April 29, 1944—5 p. m.

583. From FEA, for La Spina..[66] Suggest Embassy and Certifying Agency continue processing Import Recommendations as heretofore as approved ones will receive due consideration even if positive list which is not yet ready for consideration is made effective July 1. This answers A–320, April 8 [*6*]. [FEA.]

HULL

103.9169 Bogotá : Telegram

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

BOGOTÁ, May 5, 1944—10 p. m.
[Received May 6—9 a. m.]

849. For FEA. Department's telegram 583, April 29, 5 p. m. and 600, May 3.[67] In spite of simplification program already in effect third quarter import recommendation applications now total more than 12,000 with returns yet incomplete. This is considerably greater than any previous quarter since the establishment of the Decentraliza-

[66] Albert F. La Spina, field representative of the Foreign Economic Administration and special assistant to the Ambassador in Colombia.
[67] Latter not printed.

tion Plan. A difficult personnel program has developed for handling this large volume. It will not be practicable to effect quota distributions on the basis of provisional figures equivalent to second quarter amounts. If definite third quarter quotas can reach the mission by June 1 little time will be lost. It is urged however that an indication be telegraphed at once of probable categories to be eliminated from decentralization procedure on July 1 so that processing of the corresponding import recommendations may be postponed awaiting your official confirmation.

DANIELS

103.9169 Bogotá : Telegram

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

WASHINGTON, May 16, 1944.

649. From FEA, for La Spina. Embassy's A–849, May 5. Suggest you do not postpone processing of import recommendations. When possible you will be informed on categories to be eliminated from decentralization, July 1, 1944. [FEA.]

HULL

103.9169 Bogotá : Telegram

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

BOGOTÁ, May 29, 1944—9 p. m.
[Received 11 : 37 p. m.]

979. For FEA. Reference Department's circular airgram May 25.[68] Proposed decentralization rollback to become effective July 1 has been submitted to and accepted by the Colombian certifying agency. Please confirm authorization to announce July 15.

DANIELS

611.2131/11–244

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

No. 4683 BOGOTÁ, November 2, 1944.
[Received November 15.]

SIR: I have the honor to enclose a copy of a memorandum dated October 31, 1944,[69] handed to me personally by the Minister of Foreign

[68] Not printed; it gave notification of the withdrawal from the Decentralization Plan of a list of commodities, among which were steel, cotton and cotton goods, rubber, rayon, wood, and products derived from them (103.9169/3680a).
[69] Not printed.

Affairs [70] on that date which, after citing several precedents,[71] concludes as follows:

"With such precedents, the Government of Colombia does not doubt that the Government of the United States of America, through the procedure which it deems most adequate, and in accordance with the spirit of the economic policy of the Continent, will express its conformity in not invoking the provisions of Article VII of the Agreement of 1935,[72] with reference to the exclusive commercial advantages Colombia may grant to bordering or neighboring countries."

I inquired of Dr. Echandía when he handed me the memorandum whether he had in mind the reciprocal granting of commercial advantages between Colombia and Peru. He smilingly replied in the negative, and said that he did have in mind the possible reciprocal extension of commercial advantages between Colombia and Venezuela and Ecuador. He did not specify in more detail the nature of such possible concessions nor did he mention any specific commodities. I remarked that I did not feel competent at the time to comment on the proposal embodied in this memorandum, but would transmit it to my Government for appropriate study and with a view to receiving instructions. I should appreciate receiving instructions at an early date regarding the nature of the reply which should be made to the enclosed memorandum.

Respectfully yours, PAUL C. DANIELS

621.2231/11–1344 : Telegram

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

BOGOTÁ, November 13, 1944—7 p. m.
[Received 9 : 20 p. m.]

1889. Reference despatch number 4683, November 2, 1944. Foreign Office inquired this morning whether Embassy could obtain early telegraphic reply to question raised by Foreign Office in its memorandum of October 31 [73] regarding waiving of most-favored-nation rights in connection with reciprocal extension of commercial advantages between Colombia and neighboring nations. Matter apparently

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[70] Darío Echandía.

[71] The precedents were the agreements of the United States in 1942 not to invoke the most-favored-nation clause against Haiti in its trade negotiations with the Dominican Republic and against Peru in its dealings with contiguous countries. For the texts of the exchange of notes between the United States and Haiti, signed February 16 and 19, 1942, see Department of State Executive Agreement Series No. 238, or 56 Stat. (pt. 2) 1415; for the agreement between the United States and Peru, signed May 7, 1942, see Executive Agreement Series No. 256, or 56 Stat. (pt. 2) 1509.

[72] Agreement of September 13, 1935; for text, see Executive Agreement Series No. 89, or 49 Stat. (pt. 2) 3875. Article VII provided for a reciprocal observance of most-favored-nation treatment.

[73] Not printed.

considered urgent by Minister of Foreign Affairs because of recent presentation to Colombian Congress of Colombian-Ecuadoran Treaty (reference despatch number 4220 of August 12, 1944 [74]) for ratification. Full text of treaty [75] as presented to Congress similar to text previously reported and is being forwarded by air.

DANIELS

621.2231/11–1344 : Telegram

The Acting Secretary of State to the Chargé in Colombia (Daniels)

WASHINGTON, November 28, 1944—8 p. m.

1322. This Government will consent by means of formal exchange of notes to waiving most-favored-nation rights in respect of the exclusive preferences granted to Ecuador by Colombia in the commercial treaty between the two countries on the basis of the formula for tariff preferences recommended by the Inter-American Financial and Economic Advisory Committee.[76] Draft exchange of notes being prepared here will be forwarded as soon as possible.[77]

The Embassy should make clear to the Colombian authorities, however, preferably in a memorandum, this Government's views regarding the formula. It was adopted at a time when there were very unusual trading conditions caused by the war, many normal markets were closed and neighboring countries perforce had to seek increased trade relations with each other. This Government therefore agreed to the formula but placed great importance on the three qualifications,[78] particularly the final one. In view of these circumstances this Government does not desire at this time to make the general commitment requested in the Foreign Minister's memorandum referred to in the Embassy's telegram 1189 [*1889*] of November 13, and despatch 4683 of November 2.

The Department would prefer that the proposed notes not be exchanged with the Colombian Government until the treaty has actually been ratified or unless the Embassy feels certain that the treaty will be ratified by the Colombian Congress in the relatively near future.

Our Embassy at Quito is being notified of the Colombian request, and when agreement has been reached regarding a proposed exchange of notes with the Ecuadoran Government, you will be given full details.

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[74] Not printed.

[75] República de Colombia, Ministerio de Relaciones Exteriores, *Tratados y Convenios de Colombia, 1938–1948* (Bogotá, 1950), p. 83.

[76] The resolution recommended that through trade agreements, the resolution of the Seventh International Conference of American States to the effect that the American countries grant special reciprocal treatment to the coterminous countries be made effective. For texts of these resolutions, see *Inter-American Financial and Economic Advisory Committee, Handbook of Its Organization and Activities, 1939–1943*, pp. 61–62.

[77] See second paragraph of instruction printed *infra*.

[78] See quoted portion of Draft Memorandum, p. 832.

For his information you may inform the Foreign Minister that our exchanges of notes with Haiti and the Dominican Republic covering the Haitian-Dominican treaty [80] are no longer in effect, having been canceled by additional exchanges of notes [81] following termination of that treaty.

STETTINIUS

621.2231/11-2944

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

[Extracts]

No. 2634 WASHINGTON, December 16, 1944.

SIR: I refer to the Embassy's telegrams nos. 1959 and 1962 of November 29 [82] and to its despatch no. 4683 of November 2, 1944 regarding the request of the Colombian Government for a waiver of this Government's most-favored-nation rights in connection with exclusive advantages which Colombia might grant to neighboring countries.

I enclose a draft of a memorandum which the Embassy may use in reply to the memorandum submitted to the Embassy by the Colombian Government, a copy of which was enclosed with the Embassy's despatch under reference. Also enclosed is a draft exchange of notes which the Embassy is requested to suggest to the appropriate Colombian authorities.[81]

. . . . . .

For the Embassy's information, the Department has received no request from the Ecuadoran Government for a waiver of most-favored-nation rights in connection with this commercial treaty other than a request made in October 1942, to which no direct reply was made because there seemed at the time to be little possibility that the treaty would be ratified by both Governments. However, when the Embassy's despatch under reference was received by the Department, an instruction was sent to the American Embassy at Quito informing it of what had transpired and suggesting that before bringing up the question of an exchange of notes between Ecuador and the United States, the Embassy press for a decision regarding a matter which this Government has had before the Ecuadoran Government for some time, i.e., the regularization of commercial relations between the United States and Ecuador on the basis of the trade agreement as modified by notes exchanged in March 1942.[83] It was further sug-

[80] Treaty of August 26, 1941, *British and Foreign State Papers*, vol. CXLIV, p. 754.

[81] Not printed.

[82] Neither printed.

[83] Department of State Executive Agreement Series No. 248; 56 Stat. (pt. 2) 1472.

gested that following the discussion of this subject, casual reference might be made to the treaty developments in Colombia and to the Ecuadoran request in 1942 for a waiver of our most-favored-nation rights, pointing out, however, that unless the Ecuadoran Government were prepared to take some definite action on the matters discussed, this Government would find it extremely difficult to agree to action such as the requested waiver, which would further disrupt the operation of the trade agreement. Our Embassy at Quito was instructed that if it was successful in obtaining action on the outstanding trade agreement questions, it could indicate that this Government would be willing to exchange notes with Ecuador along the same lines as in the case of Colombia.

The Department has as yet received no reply from the Embassy at Quito. I shall keep you informed of developments there, but, unless you perceive objection, it is felt that the exchange of notes with Colombia need not be delayed until arrangements are completed for the exchange with the Ecuadoran Government.

Very truly yours, For the Secretary of State:
DEAN ACHESON

[Enclosure]

DRAFT MEMORANDUM

The memorandum of October 31, 1944 [84] from the Government of Colombia refers to the contractual formula for tariff preferences to contiguous or neighboring countries recommended by the Inter-American Financial and Economic Advisory Committee on September 18, 1941 [85] and cites various precedents whereby the Government of the United States has, in accordance with this formula, agreed not to invoke the provisions of the most-favored-nation clause in its agreements with certain countries in respect of tariff preferences granted or which might be granted by these countries to contiguous or neighboring countries.

In these circumstances the Government of Colombia feels that the Government of the United States will no doubt express its agreement not to invoke the provisions of Article VII of the trade agreement between the two countries signed on September 13, 1935 in order to claim the benefit of exclusive trade advantages that Colombia might grant to contiguous or neighboring countries.

While recognizing its adherence to the formula recommended by the Inter-American Financial and Economic Advisory Committee, the Government of the United States desires to point out that in its view

[84] Not printed.
[85] *Inter-American Financial and Economic Advisory Committee, Handbook*, pp. 61–62.

the formula was recommended in 1941 because of the unusual trading conditions resulting from the war, in which many normal markets were closed, there were transportation difficulties, and neighboring countries perforce had to seek trade with each other to a greater extent than had developed in pre-war years. In agreeing to the recommendation, the Government of the United States placed great importance on the three requirements of the formula quoted below.

"That any such tariff preferences, in order to be an instrument for sound promotion of trade, should be made effective through trade agreements embodying tariff reductions or exemptions;

"That the parties to such agreements should reserve the right to reduce or eliminate the customs duties on like imports from other countries;

"And that any such regional tariff preferences should not be permitted to stand in the way of any broad program of economic reconstruction involving the reduction of tariffs and the scaling down or elimination of tariff and other trade preferences with a view to the fullest possible development of international trade on a multilateral unconditional most-favored-nation basis."

It is understood that the Treaty of Commerce between Colombia and Ecuador, signed on July 6, 1942 and amended on October 14, 1943, is being considered for ratification by the Colombian Congress. In that event, the Government of the United States will agree, by means of an exchange of notes, to waiving its most-favored-nation rights in respect of the exclusive preferences granted to Ecuador by Colombia in Article V of that treaty.

With regard to any exclusive trade advantages that Colombia might propose to grant in the future to contiguous or neighboring countries, the Government of the United States would be glad to give consideration to such contingencies if they should arise, again having in mind the three requirements of the formula set forth above and the circumstances under which it was recommended.

EFFORTS OF THE UNITED STATES AND COLOMBIAN GOVERNMENTS TO CONTROL FINANCIAL TRANSACTIONS INVOLVING THE AXIS [86]

740.0011 European War 1939/32497 : Telegram

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

BOGOTÁ, December 31, 1943—1 p. m.
[Received 4:40 p. m.]

2411. Colombian Government has issued decree 2622 dated December 31 [*30*], 1943 which recites Colombia's state of belligerency with

[86] Continued from *Foreign Relations*, 1943, vol. VI, pp. 44–69.

Germany, the damages and expenses caused to Colombia because of this state of belligerency which should be compensated, and decrees (1) existing system of fiduciary administration of property of German nationals will continue in force until Germany or its subjects have compensated Colombia or its citizens for damages which Germany or its subjects have caused to property of Colombia or its citizens and for expenses incurred by Treasury of Colombia due to existing state of belligerency provoked by Germany; Article 11 of decree 59 of 1942 is modified to this extent; (2) registration of any and all documents involving property of Germans not under fiduciary administration is prohibited; corporations and other legal entities are forbidden to accept transfers of stocks or other interests belonging to Germans; (3) property under fiduciary administration remains subject to existing control measures. Text of decree with Embassy's comments will be forwarded by despatch.

LANE

740.00113 E.W. 1939/1239

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

[Extracts]

No. 3180 BOGOTÁ, January 4, 1944.
[Received January 15.]

SIR: I have the honor to refer to this Embassy's telegram no. 2411 of December 31, 1943, and to enclose the Spanish text and English translation of Decree no. 2622 issued by the Colombian Government on December 30, 1943.[87]

. . . . . .

The importance of this decree lies primarily in the provisions of Article 1 thereof which constitutes a declaration of policy of the Colombian Government with reference to seeking indemnification for damages from the property of German nationals. Aside from this feature, Decree 2622 adds very little to existing controls.

However, the Chief of the Department of Control of Property of Foreigners has informed an officer of this Embassy that he construes Article 2 of the instant decree to apply to all German citizens regardless of whether they have heretofore been excluded from the Colombian controls because of lack of adverse information concerning them. He observed that the provisions of such article are applicable to all property of German nationals not under fiduciary administration, and he is of the opinion that unless modified by subsequent decrees, it will

[87] Not printed.

have the effect of German nationals now excluded from the controls petitioning to have their property placed under fiduciary administration, which will create a considerable administrative problem.

Respectfully yours, For the Ambassador:
W. E. DUNN
Counselor of Embassy for Economic Affairs

740.21112 RP/41 : Airgram

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

BOGOTÁ, January 17, 1944—12 : 30 p. m.
[Received January 24—5 p. m.]

A–39. I had a conference on January 15 with Carlos Lleras Restrepo, Minister of Finance, and discussed with him the following matters:

(1) *Replacement Program for the Axis Drug and Chemical Industry.* The Minister stated that the recommendations made as a result of the visit of the APC Mission [88] to Colombia were now before the National Economic Defense Commission. However, he explained that the Commission did not have its full complement of five members since two of the appointees, Gabriel Turbay and Laureano Gomez, did not accept the appointment. Turbay is now Colombian Ambassador to the United States and Laureano Gomez refused to accept the appointment, presumably for political reasons. The Commission is presently composed of Dr. Esteban Jaramillo, Luis Lopez de Mesa, and Gerardo Molina. It will be necessary to appoint one Liberal and one Conservative in place of Turbay and Gomez, which the Minister stated would be done shortly. He added that after the National Economic Defense Commission finished its study of the matter, it might be referred to the Colombian Consultative Commission. I suggested that this would not be desirable because we were not represented on that Commission—representatives of the Embassy merely meeting with it as observers—and because I did not believe the Consultative Commission would do anything about the matter. I added that I did not believe reference to the Consultative Commission would be necessary since it was a matter of policy for determination by the Colombian Government and to actually start the program it would be necessary for the responsible Government officials to order the liquidation or nationalization of the Axis drug and enemy concerns, presumably by a resolution of the Minister of Finance. Dr. Carlos Lleras

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[88] The Alien Property Custodian's mission in the fall of 1943 resulted in the appointment of a Colombian-American Committee which canvassed the possibilities of replacing important Axis enterprises (740.21112 RP/55a).

Restrepo seemed to agree with my position since he said "all right" when I concluded. In any event, he stated the National Economic Defense Commission would start its consideration of these recommendations on Monday, January 17.

(2) *Banco Francés e Italiano (PL)*[89] *and Giovanni Serventi*[90] *(PL), Bogotá.* I told the Minister that I was anxious to have Serventi removed from the Proclaimed List, if possible, but that as long as he remained with the bank or as long as the bank had any foreign interests, such action would probably be impossible. The Minister stated that he did not believe there was much chance of liquidating the bank or eliminating its foreign interests, and added that Serventi was interested in getting off the Proclaimed List.

(3) *Empresa Hanseática (PL), Barranquilla.* I told the Minister that this matter had been pending since June, 1943, that we were permitting the Tropical Oil Company to sell it the necessary oil and fuel supplies on a month to month basis, and that, while I did not wish to be in the position of issuing an ultimatum, I felt the Colombian Government would have to take action very soon to eliminate the enemy ownership or I would not be able to justify my position. The Minister stated that there were a number of Colombians who were interested in acquiring this enterprise and asked us to have patience. I remarked that we had been patient since last June. In my presence the Minister instructed his Secretary to call the Caja de Crédito, fiduciary administrator of the Empresa Hanseática, on Monday morning (January 17) and instruct them to tell Werner Backhaus (PL) that he would have to liquidate the enterprise. I do not expect Backhaus to agree to a voluntary liquidation and the only other alternative will be liquidation or nationalization by Government order.

(4) *Instructions to Consultative Commission.* I reminded the Minister of the instructions which had been issued to the Consultative Commission in September, 1943, by Dr. Turbay, then Minister of Foreign Affairs, and Dr. Londoño Palacio, then Minister of Finance, eliminating as one of its functions the consideration of the nationalization of enemy firms. I explained to the Minister that I assumed these instructions had been issued because of the bitter attacks being made at that time against the Government over the Handel matter,[91] but that in view of the present situation, the Commission did not have much point in existing since the main function for which it was created had been taken away from it. I suggested that new instructions be

[89] Proclaimed List.
[90] Manager of the Banco Francés e Italiano.
[91] Originally a brewing firm organized in February 1922 as "Handel en Industrie Maatschappij Bogotá" under the laws of Holland. Its domicile and the control of its assets became the subject of an involved dispute after the Nazis took control.

issued to the Commission and the Minister stated that there were only three really important nationalization cases outside of the Handel, namely, Química Bayer, Anilinas Alemanas and Industria Química Colombia. He added that the other cases were very minor and he thought that as soon as we cleaned up those three and Handel, we could consider the job was done. In replying to my suggestion in this manner, this indicates to me that the Minister of Finance does not intend to issue new instructions to the Consultative Commission. While the Minister did not include a number of important firms, such as Química Schering, Instituto Behring, and others, in his statement naming the most important nationalization cases, I do not attach any particular significance to these omissions since he was talking in generalities.

From the Minister's attitude I am sanguine that he will take a keen personal interest in a satisfactory solution of the questions involved.

LANE

740.21112 RP/41 : Telegram

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

WASHINGTON, January 29, 1944—4 p. m.

138. Department is informed by Office of Alien Property Custodian, with reference to your Airgram A–39, January 17, 1944, that it is difficult to continue to suspend definite plans for sales of Schering and General Aniline products in Colombia for any extensive additional period of time. The commercial decisions of these, as well as other American companies, with regard to the Colombian market cannot be postponed much longer. It may therefore be indicated to the Colombian authorities that it is highly desirable that a decision be reached soon, especially in view of the length of time during which the Colombian replacement project has been discussed.

For your confidential information, the Department feels that if local conditions make it unlikely that a formal replacement program will be adopted by the Colombian Government within a reasonable period of time, the interests of both this Government and American companies might better be served by encouraging such companies to make their own arrangements in Colombia, without regard to the possibility of reorganizing such companies as Bayer or Anilinas Alemanas. The Department appreciates the difficulties which have

hampered your efforts to secure adoption of a definite program, and would like your comments on the suggestion of this paragraph.

HULL

740.21112 RP/42 : Telegram

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

BOGOTÁ, February 1, 1944—11 a. m.
[Received 5 : 15 p. m.]

173. Department's number 138, January 29. I shall see the Minister of Finance within the next few days and will impress upon him the importance of an early decision with reference to the replacement program for the Axis drug and chemical concerns.

With reference to the United States concerns making their own arrangements in Colombia without regard to the possibility of the replacement of the Axis concerns by the Colombian Government, I see no objection in the majority of companies involved since any Colombian companies formed by the United States concerns could work into the replacement program. At Mr. Shaw's [92] recent conference with Doctor Carlos Lleras Restrepo (reference my despatch 3279, January 28, 1944 [93]) the Minister stated that he perceived no objection to United States Schering going ahead and forming a Colombian company to distribute its products and added that he did not feel that such action would be in conflict with the proposed replacement program. However, in the case of Schering products, the Colombian Government would probably not want a participation in the company to be organized but in companies such as Bayer handling antimalarial products, the Minister indicated that the Government would want a participation interest in view of the importance of these products to the national health. In such case complications might be presented if the United States concern goes ahead and forms its company before the adoption of a definite program by the Colombian Government. However, if it appears that action on the replacement program will be delayed for any extensive additional period of time, I feel that it would be well for the United States concerns to proceed with their own arrangements in Colombia for the reasons stated in my A–1035, December 20, 1943.[94]

LANE

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[92] Oliver Shaw, Foreign Sales Manager for Schering Corporation of Bloomfield, N. J.

[93] Not printed.

[94] Not printed; the Ambassador reasoned that in cases delayed by the desire of the Colombian Government to participate in a reorganization, it would be better for United States firms to proceed with their own arrangements in order to eliminate Axis interests by competition (740.21112 RP/40).

740.21112 RP/49 : Airgram

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

[Extract]

BOGOTÁ, February 26, 1944—noon.
[Received March 6—3 p. m.]

A–178. Department's telegram 138, January 29 and my reply 173, February 1, 11 a. m. On February 17 I took up again with Minister of Hacienda, Carlos Lleras Restrepo, importance of reaching decision with respect to replacement program. I reminded the Minister that the question had been pending since September and that it is our Government's desire to make some progress in this most important question.

Dr. Lleras Restrepo said that a long time ago, when he was not in the Government, he had been approached by Sydney Ross [95] for his professional advice regarding their problems in Colombia. Although he was not definitely employed by them he was loath, because of suspicions which attached to the Minister of Hacienda, especially in connection with nationalization questions, to be responsible for the nationalization of the drug industry, as it might be contended that any decision he might make would be influenced by personal motives. The Minister said that he had therefore requested the Acting President Dr. Echandía to designate another member of the Cabinet to take charge of the replacement program and that on February 14 the Acting President had designated Dr. Antonio Rocha, Minister of Education.

I am informed by Dr. Rocha's office that he is now in Ibagué but that he is expected to return to Bogotá this afternoon. I shall endeavor to see him tomorrow in company with Mr. Victor Folsom of the Alien Property Custodian's office.

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LANE

740.21112 RP/48 : Telegram

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

BOGOTÁ, March 3, 1944—noon.
[Received 4:20 p. m.]

393. See my A–178, February 26, noon. This morning Folsom, Rubin [96] and I had meeting with Minister of Education who has been designated by Acting President Echandía to deal with replacement

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[95] Sydney Ross Company, subsidiary of Sterling Products, Inc.
[96] Seymour J. Rubin, Assistant Chief, Division of Financial and Monetary Affairs.

program. Dr. Rocha said that as Minister of Hacienda and Minister of Public Health [97] are leaving office next week to enter presidential campaign administrative action with regard to nationalization of German drug industry probably cannot take place until early April. On the return of Derby [98] from Mexico City however Dr. Rocha indicated willingness to discuss matter with him and it was suggested by me that Folsom and Rubin stop in Bogotá on their return trip from Chile to acquaint themselves more fully with situation.

Dr. Rocha made it clear that because of the political situation no constructive steps may be expected for some weeks.

Rocha said that the question of replacement program would have to be submitted to the National Defense Commission prior to administrative action being taken by the Minister of Hacienda.

LANE

740.21112 RP/50 : Telegram

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

BOGOTÁ, March 7, 1944—4 p. m.
[Received 8 : 58 p. m.]

433. See my 393, March 3, noon. Newly appointed Minister of Hacienda, Gonzalo Restrepo, informed me this morning that he personally will handle replacement program. He expressed great enthusiasm for the project and said that I could count on his using every endeavor to bring it to a successful conclusion.

I believe it especially important in view of the foregoing that Folsom and Rubin return via Bogotá.

Repeated to Santiago for their information.

LANE

740.21112A/565 : Airgram

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

BOGOTÁ, March 23, 1944—5 p. m.
[Received April 1—10 a. m.]

A–265. Reference Department's airgram no. 729, dated May 13, 1943,[99] stating that persons, other than Americans, who rent or purchase residential property from Proclaimed List nationals should not be recommended for inclusion on that sole account.

Reference is made also to the Department's airgram no. 215, dated March 18, 1944,[99] stating that the acceptance of a power of attorney from a Proclaimed List national does not in itself furnish sufficient

[97] Jorge E. Gaitan.
[98] Robert J. Derby, Special Assistant to the Ambassador in Colombia.
[99] Not printed.

basis for listing action, but if the agent named in the power of attorney undertakes to actively administer the property, the nature of the administration might be such as to make listing desirable.

The Department's instructions are now requested as to the policy which should be followed with respect to persons dealing in residential property belonging to Proclaimed List nationals, either as brokers for the sale of the property or as administrators collecting rents and forwarding them to the owners, where the property of the principal is not subject to fiduciary administration. A case has recently been presented involving the Agencia de la Espriella, of Barranquilla which serves as the broker and renting agency for residential properties belonging to Heinrich Lindemeyer (PL) and Erwin Heumann (PL). The Agencia de la Espriella has refused to terminate its connections with and for these Proclaimed List nationals on the ground that it involves residential property only and if it surrenders the management of such property, some other agency will accept them.

LANE

740.21112A/552 : Telegram

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

BOGOTÁ, March 25, 1944—5 p. m.
[Received 8 : 45 p. m.]

584. This morning Dunn and Derby of the Embassy, accompanied by Rubin and Folsom, discussed the replacement program with Dr. Gonzalo Restrepo, Minister of Finance. The Minister indicated his desire to push the program and expressed his belief that the present political situation would not impede progress, as well as his belief that Colombia had sufficient legislation to enable it to nationalize the Axis companies "within a few days" after adequate substitution companies were present in Colombia. He states his willingness to transfer to such desirable companies the assets of the Axis companies, which would then be liquidated. He pointed to the recent decision of Schering of Bloomfield, New Jersey, to form a Colombian subsidiary, in which prominent Colombian business interests will have a majority share, as an example of the type of action which will lead to the promised prompt action on the part of the Colombian Government. The Minister is completely aware of and agreeable to the fact that until such action is taken by the Colombian Government, the new company will actively compete in the Colombian market.

In view of this situation, and of the possibility that General Aniline, General Dyestuff may presently be considering the appointment in Colombia of a local agent, this Embassy wishes to indicate its feeling, concurred in by Rubin and Folsom, that General Aniline and

General Dyestuff should form a Colombian company, with substantial Colombian participation rather than merely appoint a local agent. Should the Department concur, it is felt that this belief should be communicated to the Alien Property Custodian. A despatch to be sent shortly will discuss this entire matter more fully.

LANE

840.51 Frozen Credits 21/46

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

[Extracts]

No. 3592 BOGOTÁ, April 13, 1944.
[Received April 24.]

SIR: I have the honor to refer to the Department's instruction no. 1978 of February 24, 1944[1] regarding the remittance of funds for the assistance of Colombian nationals in enemy occupied territory, and reciprocally the remittance of funds from Germany for the assistance of Axis nationals in Colombia. The Department points out that while foreign exchange is being made available to the enemy for the assistance of Colombian nationals, the Axis governments on the other hand are not being obliged to diminish their foreign exchange resources in making similar payments to their nationals in Colombia. Reference is made to section (*c*) of Resolution I of the Washington Recommendations,[2] which requires that subsistence payments to Axis nationals resident in the American republics should not be made out of official blocked funds of the Axis nations in those countries except in cases of effective reciprocity. The Department suggested that this matter be brought to the attention of the Colombian authorities, and further developments reported.

Upon the receipt of the Department's instruction under reference a note was addressed to the Colombian Minister of Foreign Affairs under date of March 2, 1944 calling attention to this situation, and expressing the view that the Colombian Government would no doubt wish to give the fullest possible implementation to the Washington Resolutions. (Enclosure no. 1).[1] This note was acknowledged by Dr. Caballero Escovar, Acting Secretary General of the Foreign Office under date of March 8, 1944,[1] with the statement that the text of the Embassy's note had been transmitted to the Minister of Finance in order that that Ministry might study the question.

Subsequently a further note was received from Dr. Caballero

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[1] Not printed.

[2] For text of Resolution I, see Pan American Union, Congress and Conference Series No. 39: *Final Act of the Inter-American Conference on Systems of Economic and Financial Control, June 30–July 10, 1942* (Washington, 1942), p. 7.

Escovar dated March 14, 1944 (copy and translation attached),[4] in which it was pointed out that there existed no basis for establishing reciprocal treatment in the remittance of funds, and that accordingly, the Colombian authorities were obliged to assume the humanitarian responsibility for sustaining Axis nationals in the country, using blocked funds of such nationals in Colombia. Reference was also made in this note to the small amount of the remittances made to Colombian nationals in Axis territory.

. . . . . .

After waiting what seemed to be a reasonable period of time to hear further from the Foreign Office in regard to the matter, I finally broached the subject to the Minister of Foreign Affairs, Dr. Carlos Lozano y Lozano, on April 12. The latter indicated the entire subject had been under discussion in governmental circles, and had even been brought to the attention of the Acting President. He said that the Government had decided on the action indicated in Dr. Caballero Escovar's note of March 14.

I pointed out to Dr. Lozano that I feared that the authorities in Washington would obtain the impression from Dr. Caballero's note that the Colombian Government is not as solicitous as it might be in carrying out the Washington recommendations, especially with respect to German Government funds, and I informed the Minister frankly that I had not reported as yet to the Department with respect to the exchange of correspondence hoping that a further note would be forthcoming, as had been promised by Dr. Caballero to Mr. Daniels,[5] indicating that a request was being made of the German Government to furnish sufficient foreign exchange to cover expenses relating to German nationals in Colombia.

In reply to the Minister's question as to whether I considered this matter as "grave", I replied somewhat ambiguously stating that we considered it of importance that as a matter of principle all the American governments, and especially those which are members of the United Nations, should take every step to prevent advantages accruing to the Axis. The Minister finally promised that he would make a request of the German Government as I had requested and would send a note to me to that effect.[6]

. . . . . .

Respectfully yours, ARTHUR BLISS LANE

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[4] Not printed.

[5] Paul C. Daniels, Counselor of Embassy.

[6] Such a note, dated May 5, was sent to the Ambassador, and a copy was transmitted to the Department in despatch 3727, May 6, 1944, from Bogotá, not printed.

840.51 Frozen Credits 21/48

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

No. 3630 Bogotá, April 20, 1944.
[Received May 1.]

Subject: Banco Francés e Italiano (PL), Bogotá.

Sir: I have the honor to refer to the last paragraph of my telegram no. 695 of April 13, 1944,[7] concerning the proposal of Dr. Gonzalo Restrepo, Minister of Finance, to take certain steps with reference to the subject bank which would justify its deletion from the Proclaimed List.

Reference is made to the Department's Airgram no. 1054, dated September 13, 1943, and my despatch no. 2757, dated September 20, 1943,[8] concerning the Banco Francés e Italiano.

At a conference held on April 18, 1944, with Mr. Daniels, Counselor of Embassy, and Mr. Derby of the Embassy staff, the Minister stated that the present Colombian Board of Directors had not been appointed by the Colombian Government—as I had been informed and so reported in my despatch no. 2757, of September 20, 1943,—but that the present Board of Directors had been appointed by the Banco Francés e Italiano in Buenos Aires.

Therefore, the Minister explained that he proposed to take the following steps with reference to the Banco Francés e Italiano in Colombia, provided that assurances could be received that if such steps were taken, the bank would be deleted from the Proclaimed List:

(1) Place the bank and its property under fiduciary administration and block its funds.
(2) Replace the present Colombian Board of Directors with a Board of Directors composed of Colombians appointed by the Colombian Government.
(3) Change the name of the bank to some suitable name to be determined; and
(4) Active control and operation of the bank by the fiduciary administrator under the supervision of the Board of Directors.

Dr. Restrepo stated that his object was to "cut the umbilical cord" which joins the local bank with the main office at Buenos Aires, and he felt the foregoing steps would accomplish this purpose and assure that the bank's operations would not and could not be of any possible aid to the enemy.

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[7] Not printed.
[8] Neither printed.

In accordance with the instructions contained in the Department's airgram no. 1054 of September 13, 1943, the Minister was informed that under our present policy the foregoing steps would not be sufficient to warrant deletion of the bank from the Proclaimed List since it would not result in the enemy ownership of the bank being eliminated. Prior to this meeting, a memorandum dated April 17 had been prepared concerning this matter and it was presented to the Minister for his consideration and study. A copy of this memorandum is attached.[9] The memoranda to which it refers were transmitted to the Department with my despatch no. 2757 of September 20, 1943.

The Minister agreed that the bank in Colombia has no stock or other tangible evidence of ownership which could be the subject of expropriation, but that it did have a capital investment of some three million pesos which could be seized by the Colombian Government. It was explained that the seizing or blocking of the capital investment of the bank would not mean the elimination of the enemy ownership, and that the most effective procedure to eliminate the bank would be its liquidation, as was done in the case of the branch in Brazil.

As the Department knows, Dr. Gonzalo Restrepo formerly served as Colombian Ambassador to Peru. He stated that he felt the situation of the Banco Francés e Italiano in Peru was analogous to the situation of the Banco Francés in Colombia; that in Peru the Peruvian Government had taken the same steps he suggested, and that the bank had been removed from the Proclaimed List for Peru and was now operating there as the Banco Crédito en Peru, or some similar name, under the administration and control of the Peruvian Government.

It was agreed that the Minister would study the memoranda submitted as to the suggested steps to be taken with reference to this bank, and, in the meantime, this Embassy would determine from the Department exactly and in detail what steps were taken with reference to the Banco Francés e Italiano in Peru prior to its deletion, and its present situation and management.

It will be appreciated, therefore, if the Department will forward to this Embassy as promptly as possible full and complete details concerning the status of the Banco Francés e Italiano in Peru prior to its deletion, the measures taken by the Peruvian Government which led to its deletion, and its present status and the form of control and administration being exercised by the Peruvian Government over its operations.

It will also be helpful if the Department will furnish this Embassy with the same detailed information as to the branch in Brazil of the

[9] Not printed.

Banco Francés e Italiano, in view of the expressed interest of Dr. Restrepo in this case also.

Respectfully yours,

For the Ambassador:
PAUL C. DANIELS
Counselor of Embassy

740.21112A/565 : Airgram

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

WASHINGTON, April 26, 1944—3:50 p. m.

A–294. It was the intention of the Department that the statements made in its airgram 729, May 13, 1943 [10] concerning residential property should be interpreted in the light of the circumstances described in your despatch no. 1980, April 14, 1943 [10] rather than as defining a general policy to be applied in all circumstances.

Dealings in Proclaimed List residential property may or may not qualify the persons in interest for Proclaimed Listing depending on a number of factors such as the presence or absence of special conditions or circumstances, the effect which such dealings may have on the local prestige of the Proclaimed List, whether the dealing may be considered as an isolated transaction, etc. Since these factors are variable, the Department's policy has been to consider each case on its merits rather than to attempt to apply hard and fast general rules. The following comments, however, may be helpful in connection with the questions raised in your airgram 265 of March 23, 1944:

(1) As a general rule the renting of residential property to a Proclaimed List national is not considered a valid basis for Proclaimed Listing since it is not desirable to prevent a Proclaimed List national from housing himself and his family.

(2) The renting of residential property from a Proclaimed List national presents a different problem because it is necessary to pay rental to the Proclaimed List national and thus contribute to his income.

Generally speaking, the mere fact that an otherwise politically satisfactory person rents from a Proclaimed List national does not in itself constitute a valid basis for Proclaimed Listing, particularly where such rental is explained by peculiar circumstances: For example, your despatch no. 1980 of April 14, 1943 states that there is a shortage of suitable houses in Barranquilla; that the Prado district is the only desirable residential district in the town; that a large number of the houses in such district are owned by Proclaimed List nationals; and that various persons (other than Americans) therefore customarily rent from Proclaimed List nationals. Under the circumstances, the Interdepartmental Committee was of the opinion that the mere renting of a residence from a Proclaimed List national did

[10] Not printed.

not, in itself and unaided by other circumstances, qualify the renter for listing.

The rental contract may, however, be a circumstance to be taken into consideration in appraising the status of the renter. Furthermore, persons making inquiry at the Embassy should be discouraged from following this practice provided such a position on the Embassy's part is reasonable in the light of local housing conditions and the surrounding circumstances.

(3) Purchases and sales of residential property involving a Proclaimed List national should be considered on the same basis as the purchase or sale of any other type of real estate involving a Proclaimed List national.

(4) As regards real estate agents, no difference is perceived between the handling of residential property and other types of real estate. Such practice is not desirable and should not be encouraged by the Embassy.

Whether Agencia de la Espriella should be Proclaimed Listed for the transactions and attitude described in your airgram 265, March 23 depends in a large measure upon whether, in view of local conditions, the Embassy feels that the cooperation of other agents similarly situated can be obtained or, failing in this, whether the Embassy considers it feasible to apply the same treatment to them. Other material factors would be whether the practice injures the local prestige of the List, whether the practice is calculated to cause other violations of Proclaimed List policy, and whether the firm in question is otherwise politically satisfactory.

Should you feel that listing action is desirable in the case mentioned, or in any other similar case, please forward a complete report together with your recommendation.

Policy with respect to persons subject to the jurisdiction of the United States is set out in paragraph numbered 13 in the Department's circular instruction of February 25, 1942.[11]

HULL

840.51 Frozen Credits 21/49

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

No. 2268 WASHINGTON, July 5, 1944.

The Secretary of State refers to the Embassy's despatch no. 3638 of April 21, 1944 [12] suggesting that the Department prepare a memorandum suitable for presentation to the Minister of Foreign Affairs

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[11] Not printed; paragraph 13 stated that persons subject to the jurisdiction of the United States may not enter into leases of houses, apartments, rooms, or office space from owners on the Proclaimed List except under license and should terminate such existing leases as soon as legally practicable. Such transactions might be authorized in hardship cases. Use by American nationals of hotels on the Proclaimed List was to be discouraged. (740.00112A E. W.-1939/7879a)

[12] Not printed.

setting forth legal justification for the blocking of official Axis funds now deposited in the Banco Francés e Italiano, under the protection of the Spanish Minister, together with a brief summary of any precedents which may apply to the case.

A memorandum concerning the blocking of official Axis funds is enclosed herewith.[12a] The Department is of the opinion that the Colombian Government would be justified in blocking official Axis funds in accordance with the provisions of Resolution I of the Washington Conference even though such funds happen to be under the control of the representing power. The memorandum contains only the precedents of Mexico and the United States because the other countries have not as yet taken an unequivocal position with respect to the blocking of official funds.

There are two main objectives behind the provisions of Resolution I of the Washington Conference with regard to the blocking of official Axis funds and with regard to expenditure in the American Republics on behalf of the Axis nations. First, complete immobilization of official Axis funds in the American Republics necessitates the remittance of fresh funds, thus depriving the Axis nations of foreign exchange. Second, control of the manner in which Axis funds are to be disbursed in the American Republics prevents payments which might be inimical to hemispheric defense.

For your confidential information, the Department questions whether, in view of the accomplishments to date, a great many of the American republics will block funds in the hands of the representing power. Nevertheless, the Department believes that such blocking should be accomplished if only for the purpose of facilitating a control of expenditures.

Accordingly, the Embassy may use its discretion in the presentation of the enclosed memorandum in a note to the Colombian Government and may make such changes as it deems appropriate in the light of local conditions. If that Government only contemplates formal blocking in order to obtain adequate supervision, the enclosed memorandum would seem to be fully adequate. If, however, the Colombian Government is contemplating the complete immobilization of the funds in the hands of the Spanish Minister in order to force the German Government to supply fresh funds for its needs in Colombia, it may be admitted that the enclosed memorandum does not furnish strong precedents.

The Embassy will note that the United States did not insist on strict dollar for dollar reciprocity itself. For the Embassy's strictly confidential information, the reason for not insisting on such reciprocity was that the German Government objected to the blocking and the Swiss Government concurred in the German view. In order

[12a] Not printed.

not to jeopardize the representation of our interests by the Swiss throughout the world, the United States agreed to the release of the official funds on condition that Germany should accept the Swiss franc clearing arrangement previously suggested by this Government for the payment of our expenses in Axis countries and the German expenses in the United States.

821.61333/280 : Airgram

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

[Extracts]

WASHINGTON, July 13, 1944—11 : 10 a. m.

A–487. Department's circular instruction of August 30, 1943.[13] The primary objective of the Department's economic warfare program in Colombia is the elimination of German spearhead firms. The Department requests your comments on the desirability of approaching the Colombian authorities with the following plan for attaining this objective. It is not contemplated that you would approach the Colombian authorities until the Department has had an opportunity to consider your reply.

1. The Colombians would be informed that this Government is particularly interested in the elimination of firms such as the following which represent the core of German economic penetration in Colombia: La Química Bayer, Química Schering, Instituto Behring, Anilinas Alemanas, Almacenes Helda, and Empresa Hanseática. This list should include the important spearhead firms but should be kept as small as possible. Your views as to the names which should be submitted are requested.

2. It would be pointed out that the elimination of the influence of these firms is recommended by the Washington Resolutions; and that the techniques of expropriation, forced sale, or liquidation should be applied (depending upon the circumstances) so as to completely and effectively eliminate Axis ownership and control. This could be done by applying to such firms the controls which are already in effect.

3. When substantial progress has been made in the elimination of the influence of the firms above-described, the Interdepartmental Committee is prepared to delete a substantial number of Colombian nationals from the Proclaimed List. In this connection please forward a list of the names which you believe could be deleted without injury to the prestige of the List and the effectiveness of the economic warfare program. The time schedule to be followed in deleting the names could be agreed upon at a later date.

4. It would be explained that such deletions would be possible because of the elimination of the dominant Axis influences in Colombia and the consequent reduction in the danger to the security of the hemisphere.

. . . . . .

[13] Not printed.

Also airmail your recommendations concerning the other questions as soon as possible.[14]

HULL

740.21112 R.P./9–1844 : Telegram

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

BOGOTÁ, September 18, 1944—7 p. m.
[Received 11 : 11 p. m.]

1608. President López and Minister of Gobierno [15] yesterday informed me that decrees ordering expropriation of some German spearhead firms should be issued this week. With respect to ex-President Santos opposition to expropriation and editorials written by Enrique Santos (Calibán) deploring action against small German firms, López spoke bitterly against the Santos policy of "making trouble". López said that Santos had not succeeded in making a split between the President and the liberal majority of Congress. López assured me that the liberal majority has agreed to support Government wholeheartedly and will approve the decree laws which the Government is now issuing reexpropriation of enemy property as well as on other matters.

For. Minister Echandía, who was also present at luncheon, informed me that in his opinion Eduardo Santos is not opposed to expropriation program.

As in so many matters personal rivalry between López and Santos seems to be an important factor in this case.

LANE

740.21112A/9–2744 : Airgram

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

BOGOTÁ, September 27, 1944—11 : 50 a. m.
[Received October 11—5 p. m.]

A–851. The local press reports that the first resolutions covering expropriation of certain spearhead Nazi firms in Colombia have been issued by Ministry of Finance and sent to Attorney General for immediate action. The corresponding suits will be instituted by Attorney General before the National Judge of Prices (Juez Nacional de Precios) in accordance with Executive Decree 1723 of July 25, 1944 establishing the routine procedure in such cases. Because of very

[14] In despatch 4127, July 27, 1944, from Bogotá, the Ambassador transmitted the assurances that, given the list of spearhead firms, action would be immediately taken to expropriate their properties. The proposal to reduce the Proclaimed List if the spearhead firms were dealt with was also welcomed by the Colombian Government. (740.00113 EW/7–2744)

[15] Alberto Lleras Camargo.

detailed nature of proceedings, progress of suits will likely be somewhat slow.

Minister of Government informed me Tuesday morning that La Química Bayer–Weskott & Cía. and Química Schering Colombiana were included in resolutions already issued.

Officers of the Embassy were also informed by officials of the Stabilization Fund on Wednesday that the first resolutions included also Empresa Hanseática, Instituto Behring, Anilinas Alemanas, and Cía. Colombiana de Colorantes y Productos Químicos, Ltda., and that additional resolutions covering other German firms would be issued within the near future.

LANE

840.51 FC 21/10–444 : Airgram

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

BOGOTÁ, October 4, 1944—11:30 a. m.
[Received October 16—11 a. m.]

A–878. Reference Department's confidential instruction No. 2466 of September 26, 1944,[16] file No. 840.51 Frozen Credits 21/55.

In the course of a conversation on October 3 with the Secretary General of the Ministry of Foreign Affairs,[17] the Counselor of Embassy found occasion to refer to the Ministry's note of May 5, 1944, a copy of which was enclosed in the Embassy's despatch No. 3727 of May 6, 1944,[18] on the subject of remittance of funds from Germany for the protection of German interests in Colombia. Occasion was taken to call attention to the distinction made in the Department's instruction under reference between uninterned individuals who are in need of financial assistance, and interned Axis nationals, and it was pointed out that all charges in connection with the latter were met by the United States Government from its own funds.

Dr. Umana Bernal did not recall that there had been any replies received to the inquiries made by the Foreign Office last May of the Axis powers regarding the remittance of funds for interned individuals, but said that he would look into the matter. He did not seem to feel it necessary to raise the matter with the Governments of Germany, Italy, and Japan in the absence of any replies from them, but rather seemed to feel that if there were no pending problem the matter might be allowed to rest. Any further information in regard to the matter which the Foreign Office may make available to the Embassy will be promptly forwarded to the Department.

LANE

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[16] Not printed.
[17] Francisco Umana Bernal.
[18] Neither printed.

COMMUNICATION PROBLEMS BETWEEN THE UNITED STATES AND COLOMBIA

821.76/99a : Telegram

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

WASHINGTON, March 11, 1944—7 p. m.

326. Navy Department states that for several weeks it has been experiencing severe interference to reception in Washington on 6265 kilocycles from broadcasting station Radio Emisora Nacional in Colombia operating on 6260 kilocycles. For your information neither station is registered with the Bureau of the International Telecommunications Union at Bern for the frequency used although the band 6200–6675 kilocycles is reserved for mobile service and should not be used for broadcasting.

You are requested, therefore, to approach the appropriate Colombian authorities and to state that this Government will appreciate it if steps may be taken with a view to eliminating interference to United States Navy communications essential to the war effort. Please advise Department of result of your representations.

HULL

821.76/99 : Telegram

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

WASHINGTON, March 15, 1944—1 p. m.

336. Federal Communications Commission states that station HKG5, Medellín, using A–2 emission, has been causing destructive interference for the past 3 months to the eastern seaboard operations of the American Airlines, Inc. on the aeronautical frequency 3257.5 kc.

The United States enjoys definite priority rights to 3257.5 kc while HKG5 is not registered for the frequency in the List of Frequencies of the Bureau of International Telecommunications Union.

Please take matter up with appropriate Colombian authorities with the request that steps be taken to eliminate the interference complained of and advise Department of result of your representations.

HULL

821.76/100 : Telegram

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

BOGOTÁ, March 18, 1944—6 p. m.
[Received 10 : 07 p. m.]

532. Colombian Foreign Office informs me that Radiodifusora Nacional has suspended broadcasting on 6260 kilocycles to avoid the

interference mentioned in Department's telegram 326 of March 11, 7 p. m.

LANE

821.76/101 : Telegram

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

BOGOTÁ, April 26, 1944—7 p. m.
[Received 7 : 47 p. m.]

802. Reference Department's 336, March 15, 1 p. m. Colombian Foreign Office has informed Embassy that Colombian authorities report that frequency 3257.5 kilocycles is not assigned to any Colombian station but that the Avianca Radio Station in Medellín which has been assigned a nearby frequency has been ordered to readjust its transmitters in an effort to prevent continuation of the interference.

DANIELS

810.733/163 : Telegram

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

BOGOTÁ, May 27, 1944—noon.
[Received May 28—2 : 55 a. m.]

965. For De Wolf [19] from Otterman.[20] Minister Posts and Telegraphs [21] and our delegation have arrived at complete agreement more satisfactory than our telegram May 23.[22] It will be confirmed by exchange of notes between Embassy and Colombian Foreign Minister [23] probably Monday.[24] Embassy will advise when notes signed. Text of note follows:

[Here follows text of note to be exchanged with Colombian Minister for Foreign Affairs, not printed.]

[Otterman]
DANIELS

821.76/103a : Telegram

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

WASHINGTON, June 20, 1944—6 p. m.

539. Federal Communications Commission states severe interference being experienced by AT&T [25] station in this country in reception of

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[19] Francis C. de Wolf, Chief, Telecommunications Division.
[20] Harvey B. Otterman, Assistant Chief, Telecommunications Division.
[21] Alirio Gómez Picón.
[22] Telegram 935, not printed.
[23] Carlos Lozano y Lozano.
[24] The agreement was signed on May 31, 1944, but was not put into effect; see third paragraph of despatch 4426, September 13, from Bogotá, p. 860.
[25] American Telephone and Telegraph Company.

Trans-Atlantic telephone transmissions from British stations GDU2 and GDW2 on 4810 kc and 4820 kc respectively in England which is caused by station HJBB on 4815 kc at Cúcuta and possibly HJED on 4825 kc at Cali.

In view of the importance of Trans-Atlantic telephone service at this particular time it is urged that the matter be taken up immediately with appropriate Colombian authorities with request that steps be taken to eliminate the interference complained of pointing out that GDU2 and GDW2 have priority of registration on their frequencies. Please advise Department by telegraph result of your representations.

HULL

821.76/6–2044

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

No. 3965 BOGOTÁ, June 20, 1944.
[Received June 28.]

SIR: I have the honor to report that serious interference is being caused to Station KGEI of San Francisco, California, the American radio station which is heard most clearly in Colombia, by a code station which operates squarely on the 19-meter band to which KGEI is assigned, making it almost impossible to hear the news and other programs broadcast by the San Francisco station. The code station apparently operates constantly on this same wave length from at least 10 a. m. to 4 p. m. daily and Sundays.

This interference has been brought to the attention of the Office of the Military Attaché and of the Coordinator of Inter-American Affairs in Bogotá, both of which have agreed to investigate and endeavor to identify the interfering station.

It is thought that Station KGEI may also be interested in having this information, if the Department perceives no reason to the contrary.

Respectfully yours, For the Ambassador:
W. E. DUNN
Counselor of Embassy
for Economic Affairs

810.733/6–2244

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

No. 3977 BOGOTÁ, June 22, 1944.
[Received July 4.]

SIR: Supplementing the Embassy's confidential despatch No. 3955 of June 19, 1944,[26] I have the honor to inform the Department of a

[26] Not printed.

conversation which I had with President López today concerning the new telecommunication rates agreement recently made the subject of an exchange of notes between this Embassy and the Colombian Ministry of Foreign Affairs. The Counselor of Embassy for Economic Affairs accompanied me on this occasion.

Upon raising the question of the rates agreement, President López at once stated that he was still holding up the decree making the new rates effective, as he was not convinced that the proposed rates unification was advisable or in the best interests of the Colombian official radiocommunications company. He said that he wished to study the problem further before reaching any decision.

The President was informed that Commissioner Wakefield, of the Federal Communications Commission, had telegraphed from Santiago, Chile, inquiring into the causes for the delay in making the new rates effective, stating that he could return to Bogotá on his way back to the United States if his presence here seemed imperative. President López was given to understand that the Embassy would advise Commissioner Wakefield to return to Bogotá in order to discuss the matter with him.

During the course of the conversation it was revealed that President López was apparently resentful of the failure of the Minister of Posts and Telegraphs to apprise him of the presence of the Federal Communications Commission mission in Bogotá or of the proposed agreement on rates. The President indicated that certain ministerial changes were pending, and that the present Minister of Posts and Telegraphs, Dr. Alirio Gómez Picón, would retire very soon. He said that Dr. Gómez Picón was at present in Manizales, but would return by next Monday, June 26, thus giving the impression that the change in that particular cabinet post would not be long delayed after that date.

The Embassy has sent a telegram to Commissioner Wakefield in Lima, Peru, responsive to the telegram he sent from Santiago, Chile, advising him of the foregoing facts and that his presence in Bogotá is desirable if President López's objections to the agreement are to be overcome.

Respectfully yours, ARTHUR BLISS LANE

821.76/6–2844 : Telegram

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

BOGOTÁ, June 28, 1944—6 p. m.
[Received June 29—2 a. m.]

1152. Stations HJBB Cúcuta and HJED Cali have been monitored by trustworthy local testing facilities and have been found to be

operating on their respective assigned frequencies. Colombian Ministry of Posts and Telegraphs has made similar test and makes the same official report to Embassy. Local testing facilities suggest interference with station AT&T may be caused by All America station HKY now transmitting on 4834 kilocycles; also that the two British stations mentioned in Department's telegram number 539 of June 20, 6 p. m. may be fading off their frequencies and thus experiencing interference.

LANE

810.733/7–1544 : Airgram

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

BOGOTÁ, July 6, 1944—11:30 a. m.
[Received July 15—8 a. m.]

A–626. Conference July 3 between the President and Messrs. Wakefield, Otterman and myself afforded opportunity for clear presentation of factual statement supporting exchange of notes of May 31, 1944 regarding northbound telecommunications rates.[26a] President gave close attention to those arguments, as well as to statements by Diaz Moreno, manager of Government official communications company, who had previously protested the agreement and who has been chiefly responsible for preventing its being made effective. This presentation by Commissioner Wakefield is supported by an able memorandum prepared by Gómez Picón, outgoing Minister of Posts and Telegraphs, which the President had not hitherto seen and which was brought to his attention during the conference. The principal point of disagreement by Diaz Moreno is the permission accorded in the agreement for All America Cables to absorb the four centavo differential in Colombia, thereby putting its rates on a par with those of the Government company, and it is believed that the agreement could be effectuated immediately if that provision were deleted. It does not appear that the present is the time to accede on that point, but the Embassy is prepared, on Mr. Wakefield's recommendation, to make such concession later if the agreement cannot otherwise be made effective. Diaz Moreno, while not emphasizing it, raised the question of a possible violation of the Cairo Telegraph Regulations [27] if Colombia were to accede to unification. He finally agreed, however, that aside from the fact that special arrangements are permitted this is a matter which might properly be left to the Colombian Congress pursuant to exchange of notes. It is clear that Diaz Moreno wishes to retain a competitive advantage for his company over All America Cables.

[26a] See footnote 24, p 852.

[27] Department of State Treaty Series No. 948; 54 Stat. (pt. 2) 1417.

Embassy is following matter closely since departure of Messrs. Wakefield and Otterman on July 4 and will report promptly further developments.

LANE

810.733/7–1744 : Airgram

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

BOGOTÁ, July 10, 1944—10 a. m.
[Received July 17—8 a. m.]

A–636. Reference is made to the Embassy's airgram No. A–626 of July 6, 11:30 a. m. regarding discussions held between Colombian authorities and Messrs. Wakefield and Otterman from Washington concerning adjustment of telecommunication rates.

Before the departure of Messrs. Wakefield and Otterman from Bogotá on July 4, President López telephoned Mr. Wakefield to visit him at the Palace, and during that conversation, as Mr. Wakefield subsequently informed a member of the Embassy staff, the President stated that he wished to have more time to study the whole rate question, as he was seriously considering taking over all the communications companies now operating in Colombia.

It is understood that the President had in mind international as well as domestic operations of these companies. Although Mr. Munro, the Bogotá manager of All America Cables Inc., saw Messrs. Wakefield and Otterman after the former's conference with the President, they refrained from informing him fully of the President's remarks, but Mr. Wakefield stated that he planned to get word to the head office of All America Cables in New York after his return to Washington.

The Embassy understands that Mr. Otterman will discuss this question with the Department as soon as he returns to Washington, and that the Department will instruct the Embassy in due course. Up to the present time no direct confirmation has reached the Embassy concerning the Government's plans, but any developments will be reported promptly to the Department.

LANE

821.76/7–1944 : Telegram

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

WASHINGTON, July 31, 1944—noon.

943. ReDeptel 539 June 20. Federal Communications Commission states American Telephone and Telegraph in this country has again complained of interference.

It appears Colombian Government has misconstrued complaint reEmbs 1152 June 28 indicating that its stations are off frequency. They are operating on frequency but are operating in violation of the General Radio Regulations (Cairo 1938). Paragraphs 142 and 145 of Regulations stipulate that frequency bands 4770–4900 kilocycles in the region of South America north of parallel 5 degrees south may be used for broadcast service providing no interference is caused to fixed stations working in that band. Colombia as a party to the Regulations has agreed to respect the rights of services previously registered with the Bern Bureau.

Please take matter up again with appropriate Colombian authorities and telegraph Department result of your representations.

STETTINIUS

821.76/8–944 : Telegram

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

BOGOTÁ, August 9, 1944—10 p. m.
[Received August 9—5 : 23 p. m.]

1400. Following is gist of reply which has been made by Colombian communications authorities to Embassy's representations concerning interference referred to in Department's 943 of July 31.

"This office is studying problem in order to find prompt solution by assigning new frequencies to Cúcuta and Cali stations. Although it is difficult at present to change frequencies due to congestion in bands affected and because such stations have been using these frequencies since 1939 this office hopes that the interference now being experienced by AT&T stations is not very serious since Colombian stations in question use only 1000 watts and since no other case of interference from them has arisen during their 5 years of service in their present frequencies."

Further developments will be reported promptly.

LANE

821.76/8–2444 : Telegram

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

BOGOTÁ, August 24, 1944—5 p. m.
[Received August 25—2 : 02 p. m.]

1489. Following is substance of further reply made by Minister of Posts and Telegraphs [28] to the Embassy's representations concerning

[28] Luis Guillermo Echeverrí.

radio interference referred to in Department's 943 of July 31 and Embassy's 1400 of August 9.

Begin Minister's reply:

Problem has been discussed with Gustavo Piquero, radio expert of Ministry, who has just returned from technical studies in the United States. Piquero recommends that no immediate action be taken to change the frequencies of the Cali and Cúcuta stations for the following reasons:

(1) Lack of frequencies to which such stations can be transferred;

(2) Extreme difficulty of obtaining new crystals;

(3) Because other countries have violated the Cairo International Radio Communications Convention in assigning stations to certain frequencies such as in the case of a London station which wrongfully operated on 7 kilocycles causing the suspension of Colombian station HKO–3 on 9.783 kilocycles;

(4) Because of serious damages which would be sustained by the Cali and Cúcuta stations if their licenses were cancelled after working on their present frequencies for several years.

End of Piquero recommendations which are evidently approved and accepted by Ministry of Posts and Telegraphs.

In view of foregoing reply Department's further instructions are requested.

LANE

821.76/8–944 : Telegram

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

WASHINGTON, August 25, 1944.

1032. FCC [29] states that AT&T still experiences serious interference from Colombian stations, referring to Department's telegrams 539 June 20. On August 4 this interference completely blanketed communications essential to the war effort.

FCC suggests that Colombian stations in question limit operations to daytime only and shift to other frequencies at night.

Even though these stations use only 1000 watts their presence on same frequencies is principal cause of interference. Reference Embassy's telegram 1400 August 9.

Please take matter up again with appropriate Colombian authorities pointing out that trans-Atlantic service is most vital to the war effort at present. Telegraph Department result of your representation.

HULL

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[29] Federal Communications Commission.

821.76/9–244 : Telegram

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

BOGOTÁ, September 2, 1944—6 p. m.
[Received 10 : 38 p. m.]

1527. In attention to further representations made by the Embassy as a result of Deptel 1032, August 25, Colombian communications authorities propose to change Cúcuta station to another frequency and to move the frequency of the Cali station to 4827 kilocycles. The latter would develop interference with Venezuelan stations which Colombian authorities agree to work out locally. FCC suggestion to limit operations to daytime is not considered practical as both the Cúcuta and Cali stations operate principally at night. Please telegraph whether the above proposal is acceptable.[30] In the affirmative Colombian authorities indicate the interference could be eliminated immediately providing a new crystal could be shipped promptly by air express for the Cúcuta station.

LANE

821.73/9–1344

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

No. 4426 BOGOTÁ, September 13, 1944.
[Received September 23.]

SIR: I have the honor to inform the Department that on September 11 last the Counselor for Economic Affairs had an extended conversation with Dr. Luis Guillermo Echeverrí, Colombian Minister of Posts and Telegraphs, concerning recent telecommunications developments in Colombia. The Minister was shown the clippings from local newspapers concerning the signing of an Executive Decree authorizing the establishment of a national telecommunications company.

The Minister was asked to what extent the Decree would affect the operations of foreign communications companies, such as All-America Cables, Inc., the Compañía Telefónica Central, and other private companies. He replied that for the present such companies would not be affected in any way, except that they would be required to connect their lines with any Government lines now existing or that might be established. The Minister went on to say, however, that he had in mind the organization of a large official company with three classes of stock: "A" stock to be owned by the Government, "B" stock to be taken by private companies which might wish to consoli-

[30] In telegram 1083, September 8, 1944, 4 p. m., the Department indicated that there was no objection (821.76/9–244).

date their properties with those of the official company, and "C" stock to be sold to private investors. This plan is very similar to the capital set-up of the Bank of the Republic. The Minister said that All-America Cables, for example, might receive X shares of stock for the property which it might contribute to the official company, but said that if All-America did not wish to enter the official company it would not be required to do so and could continue its operations independently. This statement is at variance with that recently made by Mr. Frederick Munro, local manager of All-America Cables, who said that he had been warned that the company's concession for doing domestic business in Colombia would probably not be renewed after February 15, 1945. Dr. Echeverrí indicated that the present decree was merely the first of a series of measures which would be taken to build up a strong official communications company and provide the Government with facilities throughout the country independently of the private companies. He made it clear that one of the chief motives of President López in fostering an official company was of a political nature, apparently growing out of the recent Pasto revolt.[31]

Dr. Echeverrí was then asked whether the new plan would have any effect, adverse or otherwise, on the rates agreement signed by his predecessor, Dr. Gómez Picón, with Commissioner Wakefield. He replied that regardless of the plans for the organization of an official company, they could not accept the rates agreement, at least not in the immediate future. He said that he had discussed this matter in detail with President López, who had stated that he did not wish to change any of the existing rates, if at all, until they had made further progress with their plans for the reorganization of the entire official communications system. The Counselor for Economic Affairs got the impression that it was futile to expect any implementation of the rates agreement, and the Minister tacitly admitted that it would probably never be accepted. He justified this position on the grounds that the Colombian official company could not afford to operate at the same rates as the large American companies could, since the Colombian company had to pay much higher prices for its equipment. The Minister was again reminded that there was a formal exchange of notes outstanding on this agreement and was asked whether he thought that the notes should be withdrawn. He replied that his predecessor, Dr. Gómez Picón, should never have signed the agreement without the approval of the President and the latter's signature. He also said that the Minister of Foreign Relations had no authority to bind the Colombian Government on such an agreement without the President's approval and signature.

The Counselor for Economic Affairs then explained how the agree-

[31] An unsuccessful uprising of a group of Colombian Army officers in July 1944.

ment had been reached with Mr. Wakefield. He said that Mr. Wakefield and his associates had left a memorandum with Dr. Gómez Picón, which they had felt had convinced the latter that the proposed rates agreement was sound and in the best interests of Colombia. He explained that Mr. Wakefield's motives had been of the very highest and that the latter sincerely felt that the proposed agreement was convenient for Colombia, as well as for the other South American countries concerned. Dr. Echeverrí said that he did not doubt Mr. Wakefield's sincerity but that Mr. Wakefield apparently did not fully understand the problem in Colombia, which was the only one of the countries involved which operated an official communications company. The point as to whether the notes should be withdrawn was not pressed and the matter was left in this rather vague status, the inference being that, while neither President López nor Dr. Echeverrí would probably ever accept the agreement, they did not wish to give a formal reply to this effect until some later date.

The Counselor for Economic Affairs next discussed with Dr. Echeverrí the latter's plan for modernizing and expanding the present official telecommunications system in Colombia. The Minister again said that he wished to install service to the most remote parts of the country, so that the President could communicate instantly and efficiently with any point independently of the existing private facilities. The Minister inquired whether there was any possibility that the desired equipment would be supplied and financed by American companies, or through the Export-Import Bank. He was told that no definite information on the latter point could be supplied as yet, although there was some indication that the Export-Import Bank felt that Colombian commitments to it were as much as they should be at the present time. The Minister than remarked that he was under considerable pressure from the Swedish Ericsson Company to enter into a contract for the supplying of the desired equipment, and that they had offered very attractive terms for financing the business. He said that he much preferred to deal with an American company, but that he could not delay the matter indefinitely, and that if no American company wished to handle the business he would be forced to go ahead with the Swedish company. At this point he picked up a letter on his desk and said that there was one American company which had shown some interest. He also said that he had discussed a possible deal with Señor Manuel Toro, local representative of the International Telephone & Telegraph, but that over a month had passed without a reply having been received. The Minister was then asked what American company had shown an interest in the business. Although at first he said that he was not at liberty to divulge the name, he later said it was the Radio Corporation of America. He also said that the Radio Corporation of America had manifested its

interest in supplying the desired equipment, but had not made any definite offer.

Dr. Echeverrí then commented on what he felt to be the financial soundness of the proposed business. He said that, although in the past the Ministry of Posts and Telegraphs and the official communications company had been badly mismanaged, it had always shown a profit to the Government. He felt that with more modern equipment and better management, its net revenues would reach at least 1,000,000 pesos a year. Under the new decree, he said, the enterprise would be of an autonomous nature and would be free of political influence, similar to the municipal utilities of Medellín and Barranquilla. He therefore felt that under the new set-up there would be ample security for any financing to be done, and that such financing could well be accomplished by any interested American company through private banking channels. He said that he saw no real reason why this kind of business need be handled by an official institution like the Export-Import bank. The Minister again requested the Embassy's assistance in enabling him to carry out his plan so that he could obtain American equipment at the earliest possible moment. He said that he could not afford to delay the matter much longer, and that if he could not make some arrangement with the Radio Corporation of America or some other American company he would be forced to do business with the Swedes.

There is being transmitted to the Department a separate report [32] on the executive decree of September 12, 1944 creating a new and expanded national radio communications company (Empresa Nacional de Radio Communicaciones), together with the Spanish text of that decree.

Respectfully yours,

For the Ambassador:
W. E. DUNN
Counselor of Embassy
for Economic Affairs

810.733/9–944 : Telegram

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

WASHINGTON, September 20, 1944—8 p. m.

1128. Department seriously concerned over Colombian Government proposal for formation of official company to consolidate telecommunications and eliminate All America Cables by declining to renew its present concession which expires in February, 1945 as reurtel 1558 September 9.[32] Obviously consolidation of telecommunications within Colombia into a single company is a purely domestic matter

[32] Not printed.

with which Department is disinclined to intervene. However, international traffic is a matter which deeply concerns this Government as well as United States users of international facilities. The right of control by Colombia of its own termini in the international service is fully recognized but the Department must advert to the long and effectual service rendered by All America Cables and Radio in the maintenance of effective international telecommunications between the United States and Colombia and to the fact that in spite of the handicap of Colombian terminal charges its service has been sufficiently effective to attract from sixty to eighty percent of the international traffic. In the efforts of the United States and Colombia to faciliate trade and encourage an adequate exchange of information to the benefit of both countries, this effectiveness should not be disregarded. It is for these and other reasons that the Department instructs you urgently to request the Colombian Government to delay the carrying out of its proposals as they affect international telecommunications and that it give further study to this entire problem. The Department will be glad to lend every appropriate assistance for the purpose of this study.

You may in your discretion also impress upon the appropriate Colombian authorities the desirability of placing in effect at an early date the northbound rate schedule negotiated between Colombia and the United States by a recent exchange of notes.

HULL

821.76/11–2044 : Telegram

The Acting Secretary of State to the Chargé in Colombia (Daniels)

WASHINGTON, November 27, 1944.

1318. Federal Communications Commission states that Colombian station HJAE on 4965 kc at Cartagena is causing severe interference to operations of U. S. aeronautical stations on 4967.5 kc.

U. S. has clear priority of registration with Bern Bureau on 4967.5 kc.

Please bring this matter to attention of appropriate Colombian authorities requesting that steps be taken to eliminate interference at earliest possible date. Telegraph report.

STETTINIUS

821.76/12–1244 : Telegram

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

BOGOTÁ, December 12, 1944—1 p. m.
[Received 9 : 13 p. m.]

2012. Ministry of Posts and Telegraphs in connection with complaint of interference referred to in the Department's telegram 1318

of November 27 has replied that it would like to remove the interference of the Cartagena station but that such station has been operating since 1941 on the frequency 4965 kilocycles which is the termination of the radio broadcasting band which was assigned for these regions by the Cairo Convention. The Ministry further suggests that since the Cartagena station has no other frequency which it can use among those assigned to Colombia the United States aeronautical stations working on 4967.5 kilocycles might be changed slightly since the United States unlike Colombia has other frequencies to which its stations can be transferred. The Ministry has promised, however, to warn the Cartagena station to check its frequency and be sure that it is operating on the one assigned to it. It is regretted that a more satisfactory reply has not been forthcoming on this matter.

DANIELS

QUESTION OF JURISDICTION OF COLOMBIAN COURTS IN CASES OF CLAIMS AGAINST UNITED STATES GOVERNMENT AGENCIES

810.5051/38 : Airgram

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

BOGOTÁ, January 20, 1944—1 p. m.
[Received January 28—3 p. m.]

A–50. The representatives of Rubber Development Corporation and FEA,[34] together with legal counsel, Dr. Roberto Urdaneta Arbelaez,[35] have discussed with me the question of insurance for the procurement agencies of the United States Government operating in Colombia.

The present insurance, which is on a cost plus commission basis and carried by the American International Underwriters, provides for complete workman's compensation and public liability coverage, but lacks coverage against civil suits in general and particularly suits brought or threatened by employees for wrongful dismissal, either presumed or in fact. In view of the necessity of avoiding unfavorable publicity, this condition leaves agencies practically helpless against blackmail or the activities of unethical attorneys. Agencies' counsel strongly advises that insurance coverage against such actions be obtained in order to enable agencies to make insurance company agents for the settlement of claims of this nature or eventually defendants of court actions which claimants might institute.

While it is true that, as agencies of the United States Government, these agencies may not be sued without their consent, this very fact makes possible claims by unethical parties of inability to exercise their constitutional rights. The United States Government, therefore, is

[34] Foreign Economic Administration.
[35] Legal counsel of field offices of the Rubber Development Corporation.

in a vulnerable position for unfavorable publicity and embarrassment from people unfriendly to it, who will readily capitalize on situations of this character.

I strongly urge that the Department approach the heads of the agencies concerned with the view to rectifying this condition immediately. The agencies concerned are: Rubber Development Corporation, RFC [36] and subsidiaries, and the FEA.

LANE

102.895102 Bogotá : Airgram

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

BOGOTÁ, March 23, 1944—6 p. m.
[Received April 1—10 a. m.]

A-267. From Mayer [37] to Rubber Development Corporation. I refer to your airgram A-195, March 8, 1944.[38] Our problem is not with respect to claims arising under local laws concerning workmen's compensation, annual and sick leave benefits, insurance against death of employees and dismissal, which are being handled satisfactorily through American International Underwriters in ordinary course. Rather it concerns alleged claims for damages outside the scope of such laws for injuries against which such laws do not purport to protect employees. The particular claim which is causing most difficulty is that of the doctor originally employed to supervise the medical program carried on in connection with Rubber Development Corporation's road building project. In connection with the reorganization of the program occasioned by the taking out in Washington of the policy with American International Underwriters, and as a result of an investigation then made, this doctor was dismissed. Full payment was made of the *cesantia* or severance pay to which the doctor was entitled under Colombian law. He is now threatening suit for injury to his professional reputation.

You will understand that this is not a matter regulated by local labor legislation nor one that can be profitably referred to the Ministry of Labor. The claim must either be settled, which we are as opposed to doing as you are, since it is sheer blackmail, or contested in open court, with the attendant publicity.

We appreciate that insurance covering this type of liability is unusual and could not be obtained except on a cost plus basis, but at the same time it is the type of claim which it is most difficult to defend

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[36] Reconstruction Finance Corporation.
[37] Jules deWael Mayer, representative of the Rubber Development Corporation in Colombia.
[38] Not printed.

against for political reasons and in which the ability to interpose an insurance company between the Claimant and the agency of the United States Government would be most helpful.[38a]

We ask that the matter be given further consideration. [Mayer.]

LANE

810.5051/43 : Telegram

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

BOGOTÁ, April 6, 1944—3 p. m.
[Received 9 : 50 p. m.]

652. Reference is made to Mayer's airgram A–267, March 23 to RDC, replying to airgram A–195,[39] referring to our airgram A–50. Immediate ruling required whether United States agencies should submit themselves to jurisdiction of Colombian Courts in civil actions.

A precedent establishing case is now pending against RDC. Amount involved is 250 pesos and refers to unjustified claim for payment of overtime. Answer must be filed not later than April 11. RDC and FEA representatives have requested Embassy's advice. Failure to accept local jurisdiction will necessitate handling through diplomatic channels of countless small suits and would also allow for political capital to be made of position by opposition party. In view of present political situation, it is reasonably certain that advantage would be taken of the situation. Acceptance of jurisdiction would appear to have least disagreeable results unless international policy is involved.

Reply prior to April 11 urgently requested.

LANE

810.5051/43 : Telegram

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

WASHINGTON, April 8, 1944—6 p. m.

476. RDC and FEA consider it inadvisable to submit to the jurisdiction of the court as suggested in your 652, April 6. Department agrees. You should therefore take matter up with Foreign Office and ask that action be dismissed on the ground that RDC is an official agency of this Government, entirely owned and controlled by the Government, and as such is immune from the jurisdiction of the court.

[38a] A marginal note at this point reads: "Does this argument apply where immunity is pleaded and allowed? R[ichard] W. F[lournoy]." Mr. Flournoy was Assistant to the Legal Adviser.

[39] Airgram A–195 not printed.

Its official status has been recognized by the agreement dated July 1, 1942,[40] signed by representatives of our two Governments.

You may say that if the Colombian Government considers that the plaintiff has a meritorious claim and if such claim is submitted to this Government through the diplomatic channel, it will receive careful consideration.

Inform representatives RDC and FEA of foregoing. Their principals request that the matter be placed in your hands.

HULL

810.5051/44 : Telegram

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

BOGOTÁ, April 11, 1944—4 p. m.
[Received April 12—1 : 49 a. m.]

679. Representatives of RDC and FEA have been informed of contents of Department's telegram 476, April 6 [*8*], 6 p. m. They agree with me that the Department should reconsider policy set forth therein in order to permit them to appear voluntarily and not under compulsion before local courts so that latter may assume jurisdiction in small nuisance lawsuits for the following reasons:

1. In view of the widespread commercial activities of FEA and RDC involving the employment of numerous native laborers the number of small suits involving payment of wages, sick and accident benefits, *cesantia*, overtime, et cetera, might be considerable and cause an unnecessary amount of annoying work in the Ministry of Foreign Affairs, the Embassy and the State Department far out of proportion to the amounts involved. Many of these small suits having little if any legal or moral justification would undoubtedly be dismissed in court and their filing would automatically be discouraged; on the other hand plaintiffs would probably be encouraged by unscrupulous lawyers to press for settlement through diplomatic channels.

2. Local plaintiffs against FEA and RDC would have available to them recourse through the Ministry of Foreign Affairs and diplomatic channels in an effort to collect claims. However, in the event that RDC or FEA should wish to collect claims from person or firm defaulting in obligations towards those agencies they would be unable to seek recourse through the local courts [41] and at the same time it would be impossible, according to counsel for FEA and RDC, to present diplomatic claims to the Foreign Office in such cases on behalf of RDC and FEA as Colombian Government would have no jurisdic-

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[40] Text not printed; for correspondence on the negotiation of this agreement, see *Foreign Relations*, 1942, vol. VI, pp. 170 ff.

[41] A marginal note at this point reads: "Sovereign immunity of the U.S. from being sued does not prevent the U.S. from bringing suit in this country, but if it does so it becomes subject to a cross action. R[ichard] W. F[lournoy]"

tion over such persons or firms. In other words, the practical result of rejecting jurisdiction of local courts would be to give unfairly unfavorable status to claims advanced by RDC and FEA as contrasted with claims against them.

3. From the standpoint of our political relations with Colombia it would be unfortunate to open the door to a number of diplomatic claims involving wages, working conditions, et cetera, since sympathies of the laboring classes would probably favor the claimants and the attendant newspaper publicity would not enhance the prestige of our Government or the effectiveness of the Embassy. Persons unfriendly to the United States could distort our official attitude towards labor claims in such a way as to be embarrassing and politically undesirable.

4. If our Government should refuse to submit to the jurisdiction of local courts in Colombia in such cases, a precedent would be established which might be embarrassing in any similar cases arising in the United States. If some Governments should dispatch missions to the United States for purely commercial purposes, it would seem that employees of such missions, even if United States citizens, might be considered exempt from the jurisdiction of our city, state and federal courts. Before such a precedent is established, it would seem that the Department and perhaps the Attorney General would wish to give serious consideration to the implications of such a policy if applied reciprocally.

5. While the RDC and FEA are of course official agencies of the United States Government, their activities are essentially of a commercial character, and they do not exercise governmental functions in the usual and normal sense of the term. From this standpoint it would seem unnecessary, as a matter of policy, to insist upon exemption from local jurisdiction in the same way that diplomatic representatives are traditionally accorded such exemption.

The whole problem has been thoroughly discussed with Dr. Roberto Urdaneta, counsel for RDC and FEA, who is a prominent Colombian jurist, former Ambassador and former Minister of Foreign Affairs. He has expressed himself to me in the strongest of terms as being in disagreement with the policy set forth in the Department's telegram under reference and has urged that it be reconsidered especially because of possible unfavorable effect on relations between the two countries.

For all the foregoing reasons I respectfully request the Department to reconsider its telegraphic instruction of April 8, with a view to permitting cases such as that referred to in my telegram 652 of April 6, 3 p. m., to be handled by local courts, on the understanding that RDC and FEA submit voluntarily and not compulsorily to court's jurisdiction.

LANE

810.5051/44

Memorandum of Conversation, by Mr. Joseph N. DuBarry, Divisional Assistant, Supply and Resources Division

[WASHINGTON,] April 13, 1944.

Participants: Mr. Francis A. Truslow, Rubber Development Corporation
Mr. D. T. Easby, Jr., Foreign Economic Administration
Mr. K. R. Iverson, CIAA [42]
Mr. H. Clay Johnson, Reconstruction Finance Corporation
Mr. Flournoy, Le [43]
Mr. Wright, ARA [44]
Mr. Keith, BOL [45]
Mr. Atwood [46]
Mr. DuBarry, SR

The meeting was called to discuss telegram 679 of April 11, 1944 from Bogotá (file 810.5051/44) which requests the Department to reconsider its decision that RDC should not submit to the jurisdiction of Colombian courts by any waiver of sovereign immunity.

Mr. Truslow pointed out that the first part of the numbered paragraph 1 in 679 seemed to be in direct conflict with A–50 of January 20 from Bogotá. He stated that the great majority of the types of claim mentioned are covered by insurance. Mr. Truslow also stated his disagreement with the second part of the same paragraph and pointed out that A–50 had in substance recommended that RDC take out insurance to protect itself against becoming a defendant in court actions abroad. He expressed his opinion that there would probably be more "unjustified" claims against RDC (and other agencies) if they agreed to submit to jurisdiction than if only diplomatic channels were open to claimants. He restated his point that RDC had been most liberal in settling out of court claims which might be considered justifiable. The representatives of the other agencies concurred generally.

It was felt, in regard to numbered paragraph 2, that refusal to submit to jurisdiction would not as a matter of law prevent US Government agencies from seeking recourse as plaintiffs, although it might as a matter of practice mean that agency claims should be submitted through diplomatic channels.

With reference to numbered paragraph 3, it was felt that an overall

[42] Office of the Coordinator of Inter-American Affairs.
[43] Richard W. Flournoy, Assistant to the Legal Adviser.
[44] James H. Wright, Assistant to the Director, Office of American Republic Affairs.
[45] Gerald Keith, Chief, Division of Bolivarian Affairs.
[46] Rollin Salisbury Atwood, political economist, Division of North and West Coast Affairs.

policy leading to claims of sovereign immunity in every case would, if anything, strengthen the position, prestige and effectiveness of the agencies abroad. Mr. Truslow pointed out that RDC had made every effort to set itself up in the minds of the people as a United States Government agency—as the US Government—and expressed his feeling that submission to jurisdiction would tend to destroy that position and RDC's effectiveness.

It was pointed out, in reference to numbered paragraph 4, that the problem under consideration is immunity of an agency, as such, and not of an employee of the agency. It was also pointed out that American courts are most liberal in granting immunity in this country where foreign government agencies are defendants, at least where immunity is certified by the Department of State.

With respect to numbered paragraph 5, the difference between diplomatic immunity and sovereign immunity of an agency was recognized but not considered reason for an agency to submit to jurisdiction abroad.

It was pointed out that as far as the four agencies represented are involved this suit is apparently the first to arise in over two years of operation abroad. Hence, it would not appear that the volume of claims to be handled through diplomatic channels would be very large.

The FEA, RDC and RFC representatives expressed their desire for a policy of not submitting to jurisdiction in any country, at any time, on any claim. The CIAA representative expressed general agreement although he stated that CIAA might wish to examine individual cases. He stated that in all probability such examinations would result in decisions not to submit.

It was felt that any decision on this question might well have a broad effect, particularly since direct operation abroad by US agencies is a recent and widespread development and perhaps a lasting one. It was agreed that the decision is one of major policy, and it was suggested that the problem might be a subject for discussion by the Policy Committee of the Department of State. It was understood that Mr. Flournoy would see Mr. Hackworth,[47] asking him if he would care to place the matter before the Policy Committee.

810.5051/44

Memorandum by the Legal Adviser (Hackworth) to Mr. Richard W. Flournoy, Assistant to the Legal Adviser

[WASHINGTON,] April 17, 1944.

MR. FLOURNOY: It appears from the attached memorandum of April 13[48] that the interested agencies of this Government are opposed to

[47] Green H. Hackworth, Legal Adviser.
[48] *Supra.*

submitting to the jurisdiction of the Colombian courts, but on the contrary desire to claim sovereign immunity.

The Policy Committee desires that we should claim immunity in this particular case involving the Rubber Development Corporation. It was felt, however, that having in mind the extent to which the governments are engaging in commercial pursuits through various kinds of agencies, the whole question should be studied by the Commercial Policy Committee with the cooperation of this office for the purpose of determining what our future attitude should be. There was some discussion regarding the possibility of an international agreement. These are matters which will be explored by the Commercial Policy Committee.

For our part, we should prepare a short memorandum on the law. As to agencies that are wholly owned and controlled by a government the situation would seem to be reasonably clear; i.e., that they are entitled to immunity from suit. There is, however, another class of agencies, such as corporations with mixed government and private ownership. These give the greater trouble from the juridical point of view. There is also another class of cases, such as the Amtorg and the former Newton Creek Realty Corporation, domestic corporations owned entirely by the Soviet and French Governments respectively, which need to be considered.

For the moment we are concerned only with the suit pending in Colombia, decision on which is stated above. The other interested people should be told of this decision. Since SR prepared the attached memorandum of April 13, I suggest that that office be informed of the conclusion in order that it may proceed with the next step.

GREEN H. HACKWORTH

810.5051/44 : Telegram

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

WASHINGTON, April 20, 1944—3 p. m.

525. The most careful consideration was given to your telegram no. 679, April 11, 4 p. m., at the last meeting of the Department's policy committee. The matter had previously been discussed again in detail with the other agencies of this Government concerned, all of which strongly recommended that immunity be claimed. The Department greatly appreciates the thorough manner in which you have analyzed this problem and assures you that every consideration was given to the points you made. The principle involved is considered so important

that the Department finds it necessary to re-affirm the decision given in its telegram no. 476, April 6 [8], 6 p. m., that immunity be claimed in this particular case.

HULL

810.5051/46 : Telegram

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

BOGOTÁ, May 31, 1944—7 p. m.
[Received June 1—12 : 55 p. m.]

992. Judgement filed against Rubber Development Corporation by Second Municipal Labor Court for sum of 250 pesos and costs in favor of Alejandro Arboleda Mesa covering alleged overtime as reported in Embassy's telegram 652, April 6. Following your 476, April 8 court action not contested. Dr. Urdaneta advises payment of claim would establish our recognition of right of claimant to sue; refusal to pay will probably result in embargo of Rubber Development Corporation funds within 8 days. Settlement out of court without reference to the judgement can probably be arranged and under the circumstances recommend such procedure for this case only pending further instructions in reply to Embassy's 772, April 22, 4 p. m.[49] If this recommendation in which Rubber Development concurs should be disapproved please telegraph whether Embassy should approach the Minister for Foreign Affairs in regard to the matter.

Early decision following consultation with Rubber Development and other agencies concerned is urgently requested respecting the above mentioned case as embargo of Rubber Development funds in full or in part would be serious.

DANIELS

810.5051/46 : Telegram

The Acting Secretary of State to the Chargé in Colombia (Daniels)

WASHINGTON, June 5, 1944—9 p. m.

742. Refer telephone conversation June 5[50] and your 992 May 31. Send formal note to Foreign Office requesting that suggestion be made to the court, or that other appropriate measures be taken, to prevent execution of judgment against RDC on the grounds that it is entitled to immunity as an agency of this Government owned and controlled by it. If questioned concerning legal grounds for this request merely state that you are acting under specific instructions of your Government. Please report outcome immediately by telegraph or telephone.

STETTINIUS

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[49] Not printed.
[50] Memorandum of conversation not printed.

810.5051/49 : Telegram

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

BOGOTÁ, June 7, 1944—9 p. m.
[Received 10:47 p. m.]

1037. Formal note has been delivered to the Foreign Office in accordance with Department's telegram No. 742 of June 5, 9 p. m. requesting that appropriate measures be taken to prevent execution of judgment against RDC. Minister of Foreign Affairs [51] has not so far raised any question regarding legal grounds for this request but has indicated he will transmit it to Procurador General. Further developments will be reported.

DANIELS

810.5051/6–2244

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

No. 3973 BOGOTÁ, June 22, 1944.
[Received June 28.]

SIR: I have the honor to enclose a copy of a letter dated June 19, 1944 [52] addressed to the General Counsel of the Office of the Coordinator of Inter-American Affairs [53] by Mr. Bosworth, Counsel for the Coordinator for Colombia and other countries, reporting developments in connection with a law suit brought against the Institute of Inter-American Affairs in Bogotá by Dr. Max Llorente O. The plaintiff is claiming breach of contract by the Institute and is suing for damages in an amount said to be more than $15,000.

When this matter was first brought to the attention of the Embassy last Saturday by Mr. Bosworth, the latter was informed of the recent difficulties of the Rubber Development Corporation and the Embassy's request of the Minister of Foreign Affairs that no judgment against the Rubber Development Corporation be executed because of that organization's status as a wholly owned and controlled agency of the United States Government (see Embassy's despatch no. 3898 of June 9, 1944 [52]). It was suggested that perhaps a similar question involving possible immunity from the jurisdiction of local courts might arise in the case of the law suit against the Institute of Inter-American Affairs, and Mr. Bosworth agreed that it would be well to report the facts at once to Washington.

Further information in regard to the law suit against the Institute is awaited by the Embassy, but in the meantime it is believed desirable

[51] Darío Echandía.
[52] Not printed.
[53] John Lockwood.

to bring these recent developments to the attention of the Department. It would be appreciated if the Department would indicate whether or not it desires instruction to be given to Dr. Cadwallader, Director of the Institute, to take no action which would involve recognition of the jurisdiction of the local courts;[55] and whether it is desired that the Embassy address a note to the Ministry of Foreign Affairs claiming immunity for the Institute as a wholly owned and controlled agency of the United States Government.

Respectfully yours, ARTHUR BLISS LANE

810.5051/7–1344

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

No. 4067 BOGOTÁ, July 13, 1944.
[Received July 21.]

SIR: I have the honor to refer to the Embassy's despatch no. 3911 of June 12, 1944[56] transmitting information regarding the claim of Dr. Octavio Uricoechea against Rubber Development Corporation for alleged unpaid salary.

In *El Liberal* of July 11 there appeared a notice apparently inserted by the Judge of the Eighth Circuit Court of Bogotá, entitled "Edicto Emplazatorio", summoning Rubber Development Corporation to appear before the court, by means of a legally constituted representative, in connection with the suit initiated by Dr. Uricoechea. A copy of this notice is enclosed, together with a translation thereof.[56]

The Embassy has today received from the Rubber Development Corporation a Memorandum of July 13, 1944, and a copy of a letter of July 11, 1944 to the Embassy, giving recent developments in regard to this case. Copies of the Memorandum and letter are enclosed.[57] According to Mr. Mills of Rubber Development Corporation the notification of the suit against the Corporation was made on June 24, but no cognizance therefore was taken by the Corporation pursuant to recent instructions from the Department.

The Embassy would appreciate receiving instructions as to whether the Department wishes it to deliver a separate note to the Ministry of Foreign Affairs in regard to the Uricoechea case, similar to the note which was sent in connection with the Arboleda Mesa case.

Respectfully yours, ARTHUR BLISS LANE

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[55] A marginal note at this point reads: "But an answer to the suit has already been filed. (See letter from Mr. Bosworth, herewith.) R[ichard] W. F[lournoy]"

[56] Not printed.

[57] Neither printed; these appear to have originated with the Bogotá offices of the Rubber Development Corporation.

810.5051/6–2244

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

No. 2301 WASHINGTON, July 21, 1944.

The receipt is hereby acknowledged of the Embassy's despatch no. 3973 of June 22, 1944 concerning the suit brought against the Institute of Inter-American Affairs by Dr. Max Llorente O. Accompanying the despatch is a copy of a letter of June 19, 1944 from Mr. Otis B. Bosworth, Counsel in Colombia for the Coordinator of Inter-American Affairs, to Mr. John Lockwood, General Counsel, from which it appears that an answer to the suit in question was filed in the court on May 16 last. It further appears that this answer did not disclose the nature of the Institute as an instrumentality of the Government of the United States, but related to the merits of the case.

The above-mentioned suit has been discussed orally with Mr. Lockwood, and it is understood that he is about to leave for Colombia with the expectation of meeting Mr. Bosworth at Barranquilla on July 20 for the purpose of discussing legal problems, including this suit, and the possibility of having it disposed of through a direct settlement. In this connection he emphasized the importance of endeavoring to preserve the principle of immunity in behalf of the Institute.

Whether it will be possible for the Institute to withdraw the answer which, as indicated above, has already been filed and to substitute a plea of immunity is not at present clear. However, if it is found possible to follow this course, the Ambassador should send a formal communication to the Foreign Minister claiming immunity for the Institute as an organization owned and controlled by the Government of the United States and carrying on its activities in Colombia as an agency, and under the direction, of this Government.

810.5051/7–2144 : Telegram

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

BOGOTÁ, July 21, 1944—midnight.
[Received July 22—1 : 39 p. m.]

1287. The following memorandum has been delivered to Minister of Foreign Affairs:

"The Embassy has been informed that the Judge of the Second Municipal Labor Court of Bogotá, Dr. Alfredo Gutierrez, has addressed a communication No. 309 to the manager of the National City Bank of New York at Bogotá transcribing a court order dated July 14, 1944 whereby the Judge decrees the embargo of the funds of the Rubber Development Corporation on deposit with that bank. There is attached a copy of this communication. It is understood that similar communications have been addressed to the other banking establishments of Bogotá for the same purpose.

The case referred to in this correspondence is the same case as that referred to in the Embassy's note of July 7, 1944 transmitting a memorandum of the facts in the claim of Señor Alejandro Arboleda Mesa against the Rubber Development Corporation and requesting that appropriate measures be taken to prevent the execution of any judgment against the Rubber Development Corporation since that Corporation is an official agency of the Government of the United States of America completely owned and controlled by said Government.

In the aforementioned communication from the Judge of the Second Municipal Labor Court to the bank reference is made to Dr. Luis Restrepo as the claimant against the Rubber Development Corporation. While the original claimant was Señor Alejandro Arboleda Mesa, it is understood that the latter has sold his alleged rights to Dr. Restrepo which would account for the change in the name of the claimant."

A copy of the Embassy's note of June 7, 1944 referred to above was sent to the Department as an enclosure to Embassy's despatch 3898 of June 9, 1944.[58]

LANE

810.5051/7–2944

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

No. 4140 BOGOTÁ, July 29, 1944.
[Received August 8.]

SIR: I have the honor to refer to the Department's instruction no. 2301 of July 21, 1944, in regard to the suit brought against the Institute of Inter-American Affairs by Dr. Max Llorente O., and inquiring whether it will be possible for the Institute to withdraw the answer to the petition which had been filed with the Fourth Circuit Court at Bogotá last May, and to substitute a plea for immunity.

As indicated in the Embassy's telegram no. 1334 of July 29, 11 a. m.,[59] from Cadwallader and Bosworth to Rockefeller,[60] Dreisbach[61] and Lockwood, Dr. Torres Pinzón, Colombian attorney retained by the Institute, has advised the Institute that withdrawal of the answer is not possible. Accordingly, since it is impossible to follow this course, I am not sending at this time a formal communication to the Minister of Foreign Affairs claiming immunity for the Institute on the basis set forth in the Department's instruction.

As indicated in the Embassy's telegram of July 29 referred to above,

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[58] Not printed.
[59] Telegram not printed.
[60] Nelson A. Rockefeller, Coordinator of Inter-American Affairs.
[61] Albert R. Dreisbach, Director, Health and Sanitation Division, Office of the Coordinator of Inter-American Affairs.

it is suggested that steps be taken to ascertain whether any interrogatory from the local court is presented by the Colombian Embassy in Washington to the Department, the Institute, or to the interested parties. It is assumed that in the event that such an interrogatory is presented the Department will then give consideration to the assertion of claim of immunity for the Institute as indicated in the Department's instruction. Similarly, in the event that any such interrogatory should be received by the Embassy from the Ministry of Foreign Affairs, or the local court, or indirectly from the Institute, no action in regard thereto will be taken in the absence of further instructions from the Department. According to Mr. Bosworth, Regional Attorney of the Coordinator's Office, the local court has presented the interrogations to the Ministry of Foreign Affairs for transmission to the United States.

In the meantime the Embassy is informed that steps are being taken to effectuate a direct settlement by the Institute and the plaintiff, and it is possible that if these steps meet with success the legal phase of the matter may be avoided.

Respectfully yours, ARTHUR BLISS LANE

810.5051/7–2244 : Telegram

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

WASHINGTON, July 31, 1944—11 a. m.

942. Your 1301 July 22.[62] Urge Foreign Minister to take action to have embargo removed on the ground that the funds of the Rubber Development Corporation, an agency of this Government, should be regarded as immune.

STETTINIUS

810.5051/7–2744 : Telegram

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

WASHINGTON, August 3, 1944—11 a. m.

956. Address note to Foreign Minister in Uricoechea case, subject of your no. 1320, July 27.[62] Ask that he inform the court that immunity should be granted to Rubber Development Corporation, since it is owned and controlled by the Government of the United States, and carries on its activities in Colombia as an agency of this Government, acting under its direction.

STETTINIUS

[62] Not printed.

810.5051/8–444 : Airgram

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

BOGOTÁ, August 4, 1944—2:20 p. m.
[Received August 16—8 a. m.]

A–699. Embargo of Rubber Development Corporation's balance of $50,000 in Banco de Bogotá has been lifted with the exception of the sum of $1,000, which is being held subject to the order of the Second Municipal Labor Court. All funds with the National City Bank have been fully freed, and notice of release on balances with Banco de la República is expected to be received momentarily.

LANE

810.5051/8–944 : Telegram

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

BOGOTÁ, August 9, 1944—11 p. m.
[Received August 10—4:35 a. m.]

1405. I sent formal note today to the Minister for Foreign Affairs requesting immunity for Institute of Inter-American Affairs as official agency and requesting that immunity be extended to Doctor Cadwallader in his official capacity as directing activities of Institute in Colombia. This action was precipitated by action of court in summoning Doctor Cadwallader (referring to the Embassy's 1397 August 8th [64]). The note presented today followed the phraseology appearing at the end of the Department's instruction No. 2301, July 21.

Yesterday in spontaneously bringing up the general question of immunity of the United States official agencies from jurisdiction of local courts, Minister of Foreign Affairs expressed a desire to me that the various law suits already instituted and others which may arise in the future be not handled through the Ministry of Foreign Affairs. I explained to Doctor Echandía the nature of the instructions Embassy has received from the Department but at the same time manifested willingness to transmit to the Department his suggestions. During the next few days, the entire problem will be discussed further between Embassy and Foreign Office and I can then report more fully views of Colombian Government. In meantime I suggest that the Department give further consideration to my telegram No. 679, April 11.

LANE

[64] Not printed.

810.5051/8–2444 : Telegram

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

BOGOTÁ, August 24, 1944—6 p. m.
[Received 10:45 p. m.]

1491. According to legal counsel of Rubber Development Corporation, the representative to be appointed by court will be expected to defend on merits of the case. However, he will not be able to defend properly without having full information regarding Uricoechea case which he will not have unless supplied by Rubber Development Corporation. Please confirm Embassy's understanding that Rubber Corporation should furnish no information to any representative appointed by the court.

Immunity from suit has been requested (Embassy's dispatch No. 4185, August 5 [65]) but apparently has not been recognized by court. Settlement through direct negotiation does not seem possible because of the *intransigeant* attitude of claimant, although efforts to reach a direct settlement are made whenever possible by Rubber Corporation in the hope of avoiding lawsuits.

LANE

810.5051/8–2444

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

No. 4304 BOGOTÁ, August 24, 1944.
[Received September 1.]

SIR: I have the honor to refer to my despatch no. 4232 of August 14, 1944,[65] reporting that the Minister of Foreign Affairs had informed the Embassy that he had communicated to the respective courts the contents of the Embassy's notes requesting immunity from the jurisdiction of local courts for the Rubber Development Corporation and the Institute of Inter-American Affairs. The Embassy has now obtained through the Institute of Inter-American Affairs a copy of the note of the Minister of Foreign Affairs dated August 10, 1944, addressed to the judge of the court handling the case against the Institute of Inter-American Affairs, informing the judge of the official character of the Institute. There is enclosed for the Department's information and files a copy and translation of this note [66] from the Foreign Office to the judge.

Respectfully yours, ARTHUR BLISS LANE

[65] Not printed.

[66] Not printed; in it the Minister advised the judge that the Institute of Inter-American Affairs was an entity owned by the United States Government and recognized as such by Colombia in pursuit of its policy of continental solidarity (810.5051/8–2444).

810.5051/9–1344 : Telegram

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

BOGOTÁ, September 13, 1944—1 p. m.
[Received 7:16 p. m.]

1574. Reference Department's telegram No. 1088, September 9, 4 p. m.[68] Dr. Roberto Urdaneta, Counsel to Rubber Development Corporation, informs me that yesterday he saw Secretary General of the Foreign Office.[69] According to Urdaneta, Umana Bernal had sent a letter to Judge pointing out the official character of Rubber Development as confirmed by exchange of notes between the two Governments. Urdaneta said that if Umana's letter did not produce lifting of embargo of Rubber Development's funds Attorney General would be requested to take legal steps before the court.

The foregoing information was conveyed to me by Foreign Minister last evening.

LANE

810.5051/10–744 : Telegram

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

BOGOTÁ, October 7, 1944—8 p. m.
[Received October 8—12:40 a. m.]

1725. Rubber Development Corporation has been informed by local bank that embargo of 1000 pesos has been lifted. Reference Embassy's despatch 4229, August 14.[68] Direct settlement now possible.

LANE

810.5051/11–3044 : Telegram

The Acting Secretary of State to the Chargé in Colombia (Daniels)

WASHINGTON, November 30, 1944—6 p. m.

1331. Reference is made to previous correspondence concerning claims against the Rubber Development Corporation, U. S. Commercial Company and other agencies of this Government carrying on commercial business in Latin American countries. The Department considers that these matters should be settled out of court, if possible, and where this is not feasible that the agencies should submit to the jurisdiction of the courts as a matter of grace and rely upon the courts

[68] Not printed.
[69] Francisco Umana Bernal.

for the administration of justice;[70] also that if the decisions of the courts should show a tendency toward unreasonableness, we may reconsider the matter in the light of developments. However this statement does not apply to the seizure of funds or other property of this Government.

STETTINIUS

[70] In a memorandum of October 24, 1944, the Legal Adviser characterized this policy as "a departure from the policy that we have heretofore followed." (810.5051/10–2444)

COSTA RICA

DISCUSSION CONCERNING COSTA RICAN FINANCIAL DIFFICULTIES INVOLVING DEFAULT ON AMERICAN-OWNED BONDS AND POSTPONEMENT OF PAYMENTS ON AN EXPORT-IMPORT BANK LOAN[1]

818.51/1132a

The Secretary of State to the Ambassador in Costa Rica (Des Portes)

No. 490 WASHINGTON, April 11, 1944.

SIR: The Department has observed that the Republic of Costa Rica is now in the third year of complete default upon its dollar bonds floated in the United States, after having serviced these obligations only in part in several years previously. Yet no steps have been taken by the Costa Rican Government to reach an agreement with the holders of these bonds which would be mutually satisfactory to both the debtor and the creditors. These facts are, of course, well known to the Embassy.

The Embassy is further cognizant of the Department's belief that the best method of adjusting defaulted debt situations is through conversations between debtor Governments and representatives of the creditors. The Foreign Bondholders Protective Council is prepared to act in the latter capacity, so far as American holders of dollar bonds are concerned.

In the case of Costa Rica, the Department believes that the initiation of conversations between that Government and representatives of the Council, designed to arrive at a basis for resumption of service which would be fair to the bondholders and within the capacity of Costa Rica to carry out, would be most helpful in the adjustment of the situation.

The Embassy is therefore requested to indicate to the Costa Rican Government, orally and informally, the interest of the Department in this matter, and to express the Department's hope that it may be possible for the Government of Costa Rica to suggest an early date upon which it would be prepared to enter into discussions with representatives of the bondholders for the purpose stated.

For the strictly confidential information of the Embassy, the Department would say that it is fully cognizant of the unsatisfactory budgetary situation existing in Costa Rica. Indeed, that very situation is one of the reasons for the Department's concern. The Embassy

[1] For previous correspondence regarding this Export-Import Bank loan, see *Foreign Relations*, 1942, vol. VI, pp. 239 ff.

will recall that the report of Mr. Ness, the Treasury representative who served for a time as financial adviser to the Costa Rican Government, showed that ordinary budgetary expenditures in 1942 were almost double these of 1938, while ordinary budgetary revenues were almost the same in the two years mentioned, and were greater in the intervening years. The figures for expenditures in 1942 and 1938, in millions of colones,[2] were 57.3 and 29.7, and for revenues, 34.5 and 35.6. The trend of greatly increasing expenditures which characterized the budgetary operations between 1938 and 1942 cannot but be disquieting to bondholders who have received in those years very small or even no payments on their holdings. In view of the comparatively prosperous economic situation which has prevailed in Costa Rica, bondholders are at a loss to understand why the Republic's financial affairs could not be so managed as to permit of more substantial payments. The Department's present instruction, therefore, is designed to remind the Costa Rican Government of the fact that it has foreign dollar bonds which are in complete default, and to suggest that it make suitable preparation for resumption of service at an early date, to the extent that it can reasonably do so, in accordance with the reciprocal cooperation which characterizes inter-American relations.

Very truly yours, For the Secretary of State:
DEAN ACHESON

818.51/1133

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

No. 1334 SAN JOSÉ, April 24, 1944.
[Received April 29.]

SIR: I have the honor to report that in several recent despatches (no. 1212 of March 24, 1944 and 1250 of April 5, 1944 [3]) the Embassy has endeavored to give the Department an accurate picture of the serious condition of Costa Rican public finances. The consensus of observers here is that it will take at least one year before some order can be established and it will be perhaps six months or longer before some of the sources of revenues pledged by the Calderón Guardia Administration will become unencumbered. So far as the success and rapidity with which the fiscal situation can be cleared up, much will depend on the firmness of the Picado Administration [4] in resisting pressures and in pursuing a resolute policy of retrenchment in

[2] At the controlled rate, effective since 1939, 5.62 colones equaled one United States dollar. On the open market, the value of the colon fluctuated considerably during the war years.

[3] Neither printed.

[4] Teodoro Picado succeeded Rafael Angel Calderón Guardia as President of Costa Rica on May 8, 1944.

public expenditures. The difficulties in the way of executing such a policy in a small country such as Costa Rica, where the public payroll plays such a large part in the national economy, cannot be exaggerated.

Unfortunately, the situation described above cannot help but affect unfavorably the degree of financial cooperation which the United States can expect from Costa Rica in the near future. For example, the following demands on the part of United States Government agencies have recently been made upon the Costa Rican Government:

1. The Public Roads Administration is desirous of obtaining financial assistance of the Costa Rican Government in prolonging the Pan-American Highway south of San Isidro. Please see in this connection the Embassy's despatch no. 1290, April 17.[5]
2. The Defense Supplies Corporation has only recently persuaded the Costa Rican Government to assume a financial responsibility of $340,000 for the construction of a road linking up the proposed cinchona plantation [6] with the existing highway system.
3. The health and sanitation program of the Office of the Coordinator [7] requires financial assistance from the Costa Rican Government to terminate certain pending projects, notably the Filtration Plant at Tres Rios.
4. The Office of the Coordinator has presented a proposal to establish a Servicio de Educación in Costa Rica which will require an outlay of $40,000 on the part of the Costa Rican Government.

While the Embassy does not in any way question the desirability of having projects jointly financed by the two Governments, still, under present circumstances it seems a highly doubtful policy to attempt to obtain further financial commitments from the Costa Rican Government when its finances are in such a shaky condition. Furthermore, the Department has indicated its desire that the authorities here be persuaded to renew service on the foreign debt. It does not seem entirely fitting that this measure which will have such an important bearing on Costa Rica's future credit possibilities should be in any way impaired or postponed by the assumption of other obligations in the meantime, no matter how desirable the purposes of such obligations might be.

The foregoing circumstances are brought to the Department's attention in the belief that it may be desirable to formulate some policy in this regard, which might be communicated to other agencies of our Government. It must not be overlooked in this connection that it would be a natural attitude on the part of the new administration of Señor Picado to agree to any cooperative plan proposed to him, since he and his advisers are desirous of establishing their friendly disposition to work with our Government. This might even induce

[5] Not printed.

[6] For correspondence on the proposed development of this plantation, see *Foreign Relations*, 1943, vol. VI, pp. 94 ff.

[7] Office of the Coordinator of Inter-American Affairs.

them to agree to projects which are not needed at this time or which are beyond the country's present capacity to finance.

Respectfully yours, EDWARD G. TRUEBLOOD

818.51/8–3044

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

No. 645 WASHINGTON, August 30, 1944.

The Secretary of State encloses, at the request of the Export-Import Bank, for transmission to the Costa Rican Minister of Finance [8] a letter addressed to him on August 23, 1944, by the President of the Bank.[9]

The particular attention of the Embassy is directed to the last paragraph of the Bank's letter stating that: "In view of the foregoing as well as the intention of your Government to buttress President Picado's fiscal policies by the adoption of various reforms recommended by Messrs. Ness and Kekich,[10] we believe, Mr. Minister, that you will concur in the opinion that consideration of an amendment of our Agreement of July 9, 1942 [11] should be postponed." The Bank refers to a number of recommendations for the improvement and strengthening of the methods of handling Costa Rican finances suggested by Messrs. Ness and Kekich of the United States Treasury Department who, it will be recalled, made studies of the Costa Rican fiscal situation in 1942 and 1943 at the request of that Government.

For the Embassy's confidential information, during the recent discussions in Washington Señor Peña [12] suggested that if the Bank [13] agreed to the proposed amendment to the 1942 agreement, it should do so only on condition that the Costa Rican Government adopt the fiscal reforms which it had said it intended to make.

818.51/12–644

Memorandum by Mr. Eugene LeBaron of the Export-Import Bank [14]

[WASHINGTON,] November 29, 1944.

Dr. Francisco de P. Gutiérrez, Costa Rican Ambassador, called this morning with regard to our Amendatory Agreement of September 28, 1944.[15]

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[8] Alvaro Bonilla Lara.

[9] Warren Lee Pierson; letter not printed.

[10] Thomas Kekich, Bureau of Accounts, Treasury Department.

[11] This loan agreement, not printed, was drafted in accordance with terms described in Department's telegram 264, June 27, 1942, 3 p. m., to San José, *Foreign Relations*, 1942, vol. VI, p. 251.

[12] Julio Peña Morua, General Manager of the National Bank of Costa Rica.

[13] Presumably the Export-Import Bank of Washington.

[14] Transmitted to San José in instruction 779, December 6, 1944, not printed.

[15] Agreement between the Government of Costa Rica and the Export-Import Bank; not found in Department files.

The above-mentioned Amendatory Agreement would postpone by one year the payment of the installments of principal on the loan made to Costa Rica by our Agreement of July 9, 1942. The entire $2,000,000 under that line of credit was disbursed. Interest only was payable to August 1, 1944. All interest payments to that date were promptly made. The first installment of principal, equivalent to 5% of the entire loan, will become due and payable on February 1, 1945. Under the Amendatory Agreement interest only would be paid on February 1 and August 1, 1945 and the first installment of principal would become due and payable on February 1, 1946. The Amendatory Agreement "shall enter into effect only on publication in the *Diario Oficial* of the law of approval adopted by the National Congress" of Costa Rica.

The President of Costa Rica submitted the Amendatory Agreement to Congress and requested legislative approval thereof. The Congressional Committee to which the bill was referred declined to report but issued a statement, a copy of which is attached,[16] calling upon the Executive to request Export-Import Bank to postpone the payment of installments of principal until one year after the establishment of "world peace".

The Ambassador told me this morning that the President of Costa Rica has not been able to effect the fiscal and monetary reforms which he had in mind at the time he was inaugurated and which were outlined to us by Don Julio Peña in May. The various Ministries are still spending money in excess of requirements and probably in excess of sums appropriated in the national budget. Taxes already on the statute books are not being collected. Governmental economies have not been effected. Certain steps have been taken to reform control of Government accounting and disbursements but these reforms apparently have been of no avail to date.

The Ambassador says that any drastic steps to put Costa Rican finances on a sound basis would result in an overthrow of the Picado Administration either by peaceful or violent means. Apparently Don Julio's usually sound judgment was colored by his desire to aid the Picado Administration when he informed us by cable on August 29 that the fiscal changes previously discussed had been adopted. It was on the basis of Don Julio's cable and his recommendation that we agreed to postpone payment of installments of principal by one year.

The Ambassador stated that Costa Rica will be just as badly off in August 1946 as it was last August—that the situation cannot improve and that any change will only be for the worse. Notwithstanding his frank appraisal of the present situation in that country, the Ambassador is anxious to obtain from Eximbank a revision of the Amendatory Agreement improving its terms, from the Costa Rican

[16] Not attached to file copy of memorandum.

point of view, even though he may not be able to obtain all the Congressional Committee wants. The Ambassador's efforts are due to (1) the declination of the Congressional Committee to recommend legislative approval of the Amendatory Agreement in the hope that more liberal terms could be obtained from Export-Import Bank and (2) instructions to the Ambassador from the President.

The Ambassador asked me to look into the above possibility informally and to let him know whether or not Eximbank was prepared to review the terms of the Amendatory Agreement. In the event of an affirmative answer, the Ambassador will then file a formal request with us along the foregoing lines. If our reply should be negative, he would so advise his Government so that the Costa Rican Congress could then be requested promptly to approve the Amendatory Agreement in its present form.

The tobacco tax, which is pledged further to secure our loan, produced during the semester ending July 31, 1944 the sum of ₡1,199,771.62, equivalent to $213,500. The installment of principal due February 1, 1945 is $100,000. Interest due will amount to $40,000. Total due on February 1 will be $140,000. If the tobacco tax should produce between August 1, 1944 and January 31, 1945 the same revenues it did during the preceding semester, the sum thus deposited to service our loan would leave an excess of approximately $73,500. During the month of August 1944, the only month for which we have any figures, the tobacco tax produced ₡214,741.97. If this rate were maintained throughout the present semester, revenues from this tax would produce ₡1,285,000, equivalent to $215,000, or slightly in excess of the yield during the preceding semester.

Inasmuch as the Bank was probably misinformed and should not postpone amortization of principal for a vague or indefinite period, it is recommended that consideration be given to withdrawing the Amendatory Agreement of September 28 and allowing matters to proceed on the basis contemplated at the time we made the loan in July 1942 and in accordance with the Agreement of that date.

818.51/12–544

The President of the Export-Import Bank of Washington (Pierson) to the Costa Rican Ambassador (Gutiérrez) [17]

WASHINGTON, December 5, 1944.

DEAR MR. AMBASSADOR: Reference is made to our recent conversation during which you handed us a copy of the statement, dated San José, Costa Rica, November 6, 1944, addressed to the Constitutional Congress by the Committee on Finance of the Legislature.

[17] This letter was not accepted by Ambassador Gutiérrez when handed to him by Mr. Le Baron of the Export-Import Bank on December 5.

It will be recalled that the matter of postponing the amortization of the principal of the loan granted to the Republic of Costa Rica by our Agreement of July 9, 1942 was first discussed at the beginning of last May while President-elect Picado and his entourage were in Washington. Export-Import Bank indicated that it would give sympathetic consideration to a request for a postponement for one year of payments on principal upon demonstration (1) that the new administration in Costa Rica had adopted, in substance, the fiscal reforms recommended by Messrs. Ness and Kekich of the United States Department of the Treasury, and (2) that the Government would take such action as might be necessary to reduce Government expenditures, particularly in the Ministry of Fomento for public works, increase its collection of existing taxes and consolidate its control of Governmental disbursements. Upon receipt of advice that such reforms had been adopted and action taken, Export-Import Bank signed the Amendatory Agreement of September 28, 1944. Subsequent information received would indicate that the measures adopted by the Government were not effective in bringing about the ends sought.

We regret to advise that Export-Import Bank cannot postpone amortization of the principal of the loan until some indefinite date after the termination of the war. The failure or inability to implement the above program leads us to believe that the economic condition of the Republic of Costa Rica in August 1945 will show no improvement over August 1944.

In view of the foregoing and of the fact that the Costa Rican Congress declined to approve the Amendatory Agreement of September 28, 1944, it is respectfully requested that His Excellency the Costa Rican Ambassador inform his Government that Export-Import Bank has had no choice but to withdraw said Amendatory Agreement and to request that it should not be submitted again to the Costa Rican Congress for action thereon.

Sincerely yours, W[ARREN] P[IERSON]

818.51/12–544

Memorandum by the Chief of the Division of Caribbean and Central American Affairs (Cabot)

[WASHINGTON,] December 11, 1944.

On December 5 Mr. LeBaron had a talk with the Costa Rican Ambassador and handed him the letter [18] which had been drafted in consultation with the State Department and signed by Mr. Pierson. The Costa Rican Ambassador promptly became greatly excited and irri-

[18] *Supra.*

tated. He said that it was not true that the Costa Rican Congress had rejected the amendatory agreement, that it had merely proposed an alternative agreement. He refused to receive the Bank's letter and said that he would telegraph immediately to President Picado recommending that the amendatory agreement be approved by Congress. Mr. LeBaron said that he did not think that this would be correct on the part of Costa Rica and that he wished to let us know what had happened because the Costa Rican Ambassador announced that he was coming over to see us immediately.

The Costa Rican Ambassador did call on me that afternoon, but merely to give me a memorandum and invite me to lunch. The conversation was brief and affable. No mention was made of the Bank matter.

I drafted a telegram relating the day's events to the Embassy in Costa Rica. Mr. Armour,[19] however, questioned the propriety of the Bank's act in seeking to withdraw the amendatory agreement. He pointed out that it had been signed by both parties and that legally exception might be taken to the Bank's unilateral withdrawal.

The following morning I spoke to Mr. LeBaron. He said that there could be no legal question of the right of the Bank to withdraw from the agreement at any time previous to its acceptance by the Costa Rican Congress. It was in the nature of an offer and could not be binding on one party until it was binding on both. He said, however, that some other developments had occurred, about which he wished to come to see me.

Shortly thereafter Mr. LeBaron spoke to Mr. McGurk[20] and me. He showed us copies of two telegrams from Costa Rica. The first stated that the Congressional Committee had already approved the amendatory agreement on December 4, i.e. the day before Mr. LeBaron's talk with the Costa Rican Ambassador. The second, from Don Julio Peña, admitted that, upon receipt of word from the Bank that it would agree to an amendatory agreement, he had released funds from the account for the service of the Bank loan.

Mr. LeBaron explained that for three months the Bank had received no report from Don Julio regarding the account for the service of the loan. He had suggested to Mr. Pierson that the Bank might have released funds under pressure from the Government, and some days ago a telegram of inquiry had consequently been sent. It was now clear that Don Julio had deceived the Bank on two important matters, first, by stating that the Government had made fiscal reforms which had never been made, and second, by releasing funds contrary to the Bank's agreement.

[19] Norman Armour, Acting Chief, Office of American Republic Affairs.
[20] Joseph F. McGurk, Acting Deputy Director, Office of American Republic Affairs.

After some discussion it was agreed that it would be unwise to force the issue under the present circumstances. Mr. McGurk suggested that Mr. LeBaron had better fly immediately to Costa Rica to straighten the matter out. It was agreed that the alternative was to let the matter drop altogether; it was felt that this would place the Bank in the strongest possible position to refuse a further extension next year, when the Costa Rican Government would almost undoubtedly seek a further extension.

Mr. LeBaron informed me on December 9 that Mr. Pierson had decided on the latter course.

JOHN M. CABOT

818.51/12–1244 : Telegram

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

SAN JOSÉ, December 12, 1944— 5 p. m.
[Received December 13—2:52 p. m.]

664. Don Julio Peña informed me today that on December 5 Ambassador Gutiérrez sent President Picado telegram saying that Export-Import Bank had turned down proposal of Costa Rican Congressional Committee (see Department's confidential instruction No. 779 of December 6).[21] Ambassador Gutiérrez recommended that Costa Rican Congress immediately ratify amendatory agreement of September 28. Don Julio says that this has been done and it only remains to publish ratification to make it legal. He added that Congressional action is in accordance with his original recommendation but that Gutiérrez on recent visit to Costa Rica had told Congressional Committee that he thought he could obtain longer moratorium and also suggested statement which was issued by that committee.

I asked Don Julio regarding status of legislative reforms about which he had spoken to me several times and he replied that he now has confidence that three projects of law will be ready at end of this month. He said his bank is especially interested in them for obvious reasons and he has been pushing the work of Committee as hard as possible. He also said that he had personally guaranteed to Export-Import Bank that these reforms would be made effective but added that this guarantee did not form part of contract for amendatory agreement.

Don Julio said that interruption of traffic in Atlantic railway and uncertainty regarding coffee prices have been important factors on top of previous difficulties to prevent government from balancing its budget. He estimates that government has lost between 2 and 3 million colones [22] in customs revenue because of inability to move goods

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[21] Not printed, but see footnote 14, p. 885.
[22] Approximately $342,000 to $685,000, United States currency.

from Puerto Limox to San José where duties are collected from importers. Banco Nacional moreover is carrying coffee exporters who do not wish to sell because of uncertainty about American coffee prices and that this is important factor in present inflation.

Memorandum of conversation in detail follows by mail. [23]

Optimistic statements of Gutiérrez to Costa Rican Congress are not consistent with those he made to Mr. LeBaron and reported in latter's memo of November 29. His apparently unwarranted intervention was probably connected with Costa Rican internal politics. If Export-Import Bank interprets counter proposal as annulling original offer cooperative efforts now being exerted by Peña, Finance Minister and Costa Rican Congress to solve serious difficulties of government may be critically jeopardized and there may be repercussions on already weak position of Picado government.

WASHINGTON

818.51/12–644 : Telegram

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

WASHINGTON, December 15, 1944—7 p. m.

575. Retel 644 [*664*], December 12, 5 p. m. Although Export-Import Bank withdrew Amendatory Agreement of September 28 in letter of December 5 to Costa Rican Ambassador which he refused to accept and contents of which he did not transmit to his Government, Export-Import Bank will comply with terms of Amendatory Agreement upon approval thereof by Costa Rican Congress and Costa Rican President which action has apparently been taken in good faith. Export-Import Bank will probably not grant any further extension after expiration of period defined in Amendatory Agreement.

STETTINIUS

AGREEMENT BETWEEN THE UNITED STATES AND COSTA RICA APPROVING MEMORANDUM AGREEMENT SIGNED MAY 20, 1944, RESPECTING TEMPORARY MIGRATION OF COSTA RICAN AGRICULTURAL WORKERS

[For text of agreement effected by exchange of notes, signed at San José May 22 and 29, 1944, see Department of State Executive Agreement Series No. 451, or 59 Stat. (pt. 2) 1275.]

[23] Transmitted to the Department in despatch 2204 of December 13, 1944, from San José; not printed.

CUBA

COOPERATION BETWEEN THE UNITED STATES AND CUBA REGARDING CERTAIN MILITARY MEASURES FOR HEMISPHERE DEFENSE[1]

837.82/25

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

No. 2709 WASHINGTON, December 31, 1943.

SIR: With reference to previous correspondence[2] concerning the establishment of aids to navigation at Nuevitas and Manzanillo, the Department has now been informed by the Navy Department that the Coast Guard is now prepared to establish and maintain at its own expense for the duration of the war the following aids at Manzanillo:

[Here follows a list of buoys and lights with their locations in latitude and longitude.]

Plots of ground fifty feet square with the lights as their centers are required, with the right of ingress and egress for maintenance purposes. It is necessary to have also a clear view right of way between the range lights and for one hundred feet on either side of the line of the Roncador Shoal range.

The Embassy is requested to make appropriate arrangements with the Cuban Government for the establishment of the aids to navigation set forth above. It is expected in this connection that the Cuban Government will cooperate in this work by arranging for the occupation of land sites at its expense for the four shore lights.

Very truly yours, For the Secretary of State:
BRECKINRIDGE LONG

837.82/27 : Airgram

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

HABANA, February 4, 1944—3:50 p. m.
[Received February 5—4 p. m.]

A-264. Reference Department's confidential instruction no. 2709 of December 31, 1943. The Cuban Navy Department has given its permission for the installation of aids to navigation at Manzanillo as detailed in the Department's instruction under reference and has

[1] Continued from *Foreign Relations*, 1943, vol. VI, pp. 135–151.
[2] See airgram A-1256, June 25, 1943, *ibid.*, p. 142.

likewise undertaken to make all the necessary arrangements for the occupation of land sites at the expense of the Cuban Government for the four shore lights. The United States Coast Guard may therefore proceed immediately with the installation at Manzanillo of the proposed aids to navigation.

BRADEN

837.82/26

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

No. 2907 WASHINGTON, February 17, 1944.

SIR: Reference is made to your despatch no. 5515 of December 23, 1943 [3] concerning the disposition of aids to navigation installed at the port of Nuevitas by the United States Coast Guard.

It is the view of the Department that rather than press the reimbursement by the Cuban Government it would be preferable to take advantage of the Navy Department's offer to arrange for the transfer of this property to the Cuban Government in consideration for the use of Cuban property for the installation of these aids. You will note that the Navy Department, in its letter of August 2, 1943,[3] requested that provision be made for wharfage and spare buoyage space at Cuban Government expense. If, in fact, the Cuban Government did provide facilities or the use of any property without expense to the Coast Guard, it would appear that this could be the basis for permitting these aids to navigation to remain in place after the war. The Department would appreciate being informed of the extent to which Cuban facilities or property was used without cost to the United States.

Very truly yours, For the Secretary of State:
A. A. BERLE, JR.

837.82/28

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

No. 6080 HABANA, February 22, 1944.
[Received February 26.]

SIR: I have the honor to refer to the Department's instructions no. 2683 of December 22, 1943 [3] (file no. 837.82/25 [24]) and no. 2907 of February 17, 1944, with regard to the possible transfer to the Cuban Government at the end of the war of aids to navigation installed in Cuban waters by the United States Coast Guard. It has been observed from these instructions that the Navy Department does not feel that it has the authority to relinquish or abandon these aids to navigation

[3] Not printed.

at the end of the war. However, the Navy Department's communication [6] enclosed with the Department's instruction no. 2683 suggests that the objective recommended in the Embassy's despatch no. 4247 of August 23, 1943 [7] might be accomplished if a directive were issued by the Department of State.

The Embassy, the Naval Attaché,[8] the Chief of the Naval Mission [9] and the local representative of the War Shipping Administration [10] feel that these aids to navigation should be left at the respective Cuban harbors after the termination of the war and that no compensation should be requested from the Cuban Government. The reasons for this recommendation are the following:

1. The lights and buoys have been installed at the request of the United States Government to assist United States shipping which, in turn, is being used to remove sugar and strategic materials belonging to the United States Government. It has developed that the Cuban Government had made application for lights, buoys and other equipment to carry out this work but had been unable to obtain the necessary priorities due to the short supply of such equipment.

2. Nuevitas Bay (and presumably also Manzanillo harbor) would be left without any aids to navigation if those now being installed by the Coast Guard were removed at the end of the war. At a meeting in Habana on August 21, 1943 between an official of the Cuban Navy and a representative of the United States Coast Guard, the latter requested permission to remove such lights and buoys as were then functioning in Nuevitas Bay in order that the entire service might be operated with new equipment from the United States. Colonel Aguila [11] of the Cuban Navy granted this request. If Nuevitas Bay and other harbors of Cuba were left without any aids to navigation on the termination of the war, the United States would be subject to severe criticism on the part of the Cuban people.

3. The Cuban Government has made property available for the installation of lights on shore and has resolved all property questions with private owners at Nuevitas and Manzanillo. The Cuban Government has also made wharfage space available for the use of the United States Navy in the maintenance of these aids to navigation for the period of the war.

If the necessary directive envisaged by the communication from the Navy Department is issued by the Department of State, the Embassy will advise the Cuban Government that the aids to navigation are to remain in Cuban harbors after the termination of the war.

Respectfully yours, SPRUILLE BRADEN

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[6] Letter dated December 9, 1943, from the Secretary of the Navy (Knox), not printed.

[7] Not printed.

[8] Lt. Col. John N. Hart, U.S.M.C.

[9] Capt. Gerard F. Galpin.

[10] M. L. Wilcox, Director of Caribbean District.

[11] Presumably Commodore Aguila Ruiz.

837.82/28

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

No. 3064 WASHINGTON, April 5, 1944.

SIR: Reference is made to the Embassy's despatch no. 6080 of February 22, 1944 concerning the disposition of aids to navigation installed at Puerto de Nuevitas and Manzanillo.

You will note from the Navy Department's letter of December 9, 1943, a copy of which was forwarded with the Department's instruction no. 2083 [*2683*] of December 22,[12] that the Navy Department was without authority to relinquish title to these navigation aids, but is agreeable to permitting them to remain in place after the war. In view of the fact that the Cuban Government has made property available for the installation of lights on shore and has made other space available for the maintenance of these aids to navigation, you may inform the Cuban Government that aids to navigation installed at Puerto de Nuevitas and Manzanillo will be permitted to remain in place after the end of the war.[13]

Very truly yours, For the Secretary of State:
G. HOWLAND SHAW

837.30/96

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

No. 7064 HABANA, June 1, 1944.

SIR: I have the honor to refer to the Embassy's airgram No. 2193 of October 30, 10:25 p. m., 1943[14] and to previous correspondence with the Department concerning the desire of the War Department to abrogate Article XII of the Agreement for Military Cooperation signed at Habana June 14 [*19*], 1942.[15]

The Department may be interested to know that military claims continue to be handled by the Claims Officer at Batista Airport without any objection having been raised up to the present time by the Cuban Government. Recently a United States naval plane crashed in one of the suburbs of Habana and partially destroyed two Cuban homes. The Claims Officer from Batista Airport immediately took over negotiation of this matter and now reports that both home owners have agreed to settlements within the $5,000 limit placed by

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[12] Neither printed.

[13] The Cuban Government was so informed in Embassy's note No. 283, April 6, 1944; copy transmitted to the Department in despatch 6577 of April 10; neither printed.

[14] *Foreign Relations*, 1943, vol. VI, p. 149.

[15] For previous correspondence on abrogation of article XII of this agreement, see *ibid.*, pp. 143 ff.; for text of agreement, see *ibid.*, 1942, vol. VI, p. 267.

the Act of June [*January*] 2, 1942, as amended.[16] The United States military and naval representatives in Cuba cooperated fully and settlement was possible within two weeks of the time that the accident took place.

In view of this indication that the Cuban Government will probably not press for creation of the Joint Claims Commission provided by Article XII of the Agreement for Military Cooperation, it would appear that the Claims Officer at Batista Airport may continue to act in cases of this nature.

Respectfully yours, For the Ambassador:
GARRET G. ACKERSON, JR.
Second Secretary of Embassy

837.30/98

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

No. 7204 HABANA, June 17, 1944.
[Received June 21.]

SIR: I have the honor to refer to the Department's instruction No. 1754, June 5, 1943,[17] and my despatch No. 4432, September 8, 1943,[18] in regard to military jurisdiction over members of the armed forces of the United States in Cuba. The Department will recall that the draft supplementary agreement for military and naval cooperation which was under discussion with the Cuban Government at the time that my despatch was written was never signed and that therefore the then existing informal procedure, whereby United States military and naval delinquents in Cuba were handed over to our jurisdiction, was continued by default.

Under date of May 24, 1944, I addressed a letter to the Minister of State, Dr. Mañach, inviting his attention to several summonses which had been issued by the Correctional Judge of the Seventh Section of the City of Habana, ordering members of the armed forces formerly stationed at the United States Air Base at San Antonio de los Baños to appear in court to answer charges entered against them arising out of incidents which occurred in Habana on December 5, 1943. In this letter, I informed the Minister of State that these men had left Batista Airport but that before their departure they were tried by court-martial for the violation of the 61st and 96th Articles of War and, being found guilty, that severe disciplinary measures had been taken against them. I requested the Minister of

[16] Public Law 393, 55 Stat. 880, amended by Public Law 39, 57 Stat. 66.
[17] Not printed.
[18] *Foreign Relations*, 1943, vol. VI, p. 146.

State to inform the Correctional Judge of this action and of the departure of the guilty parties from Cuba. I closed my letter to the Minister of State with the following paragraphs:

"The general subject of jurisdiction over United States military personnel in Cuba was the subject of a circular sent by the Fiscal of the Supreme Court to the Fiscales throughout Cuba and published in the local press of October 9, 1942. This circular was a copy of one issued by the Supreme Court on April 3, 1918. A copy, as published in *El Mundo* of October 9, 1942, is enclosed for your ready reference.

"It has been the accepted practice during the present war for certain Cuban authorities to turn over to the competent United States military authorities for trial and, if found guilty, punishment members of the United States armed forces who have been charged with offenses committed outside United States military zones. I hope you will agree that this practice has worked out reasonably satisfactorily and I may assure you that it is the earnest intention of the United States military authorities to impose adequate disciplinary measures on all offenders."

Under date of June 2, 1944, I received a reply from the Minister of State informing me that he had advised the Correctional Judge of the action taken by the United States military authorities against the guilty parties. The Minister of State closed his letter with the following statement:

"In relation to the last paragraph of your letter, I wish to inform you that the Government of Cuba retains the full right to its jurisdiction over the delinquencies and infractions of the law which occur within the national territory".

In order that the record might be clear, I replied to the Minister of State on June 15, 1944, in the following terms:

"I have noted the observations contained in the last paragraph of your letter. You will recall that in my letter of May 24, 1944, I referred to the satisfactory practice which has been followed up to the present time with regard to jurisdiction over United States armed forces in Cuba. This matter was the subject of a conversation which I had early in September 1943 with Dr. Zaydín [19] and Dr. Santovenia.[20] I read to Dr. Zaydín and Dr. Santovenia an instruction which I had received from the Department of State, setting forth that jurisdiction of the military forces of the country stationed in another country with its consent is well established by international practice and that the United States Government recognizes the right of the military authorities of a foreign government to exclusive jurisdiction over members of their forces on the territory of the United States with its consent. The instruction went on to say that the governments of other countries on whose territory United States forces are stationed recognize a similar jurisdiction by the United States over such forces.

[19] Ramón Zaydín, Prime Minister of Cuba.
[20] Emeterio Santovenia, then Cuban Minister of State.

"As a result of these discussions and in view of the contents of the Department's instruction, it was then decided by the Prime Minister and the Minister of State not to disturb the existing practice whereby Cuban courts had turned over to United States military authorities any United States military personnel charged with delinquency. It was pointed out at the time that the conclusions reached in the Ministry of State's note No. 1001 of November 13, 1942, were in accord with this generally accepted practice. This note referred to a specific case involving persons employed in the construction of Batista Airport, but the principle therein set forth would appear to be applicable to similar cases involving personnel attached to other United States military or naval contingents in Cuba. I quote, for your convenience, the following extract from the Minister of State's note no. 1001:

[Here follows a quotation in Spanish stating that all punishable acts committed in Cuba, regardless of the place of commission and the nationality of the culprit, are subject to Cuban judicial action, with the single exception of crimes committed by American citizens in the Armed Forces of the United States.]"

I handed this letter to the Minister of State on June 15. Dr. Mañach said that he was merely adopting the stand which his predecessor, Dr. Santovenia, had taken. (In fact, the stand had actually been adopted in the first instance by Dr. Martinez, predecessor to Dr. Santovenia as Minister of State.) I said to Dr. Mañach that the matter was fundamental and that he would find hundreds of precedents to support our stand. He said that he had observed the agreement which we have with England, but that Cuba is a small country and should therefore be treated differently. I observed that with both small and large countries the principle is basic and a part of international practice.

The Minister then said that he would like to have it remain a part of the record that Cuba is opposed to this principle but that actually in practice we would have no difficulty. However, if some major crime were to come to his attention, they would, the Minister said, wish to be free to revert to their policy in order not to be subject to criticism from some succeeding Cuban Government. I told him that I was willing to submit the matter to Washington, meanwhile letting the question rest; but I wanted him to know that, in the unfortunate event that a major crime should occur, we certainly would stand on the principle enunciated in my communication.

It is my recommendation that no further action be taken until we see what policy is in fact followed by the Cuban Government in specific cases which may arise hereafter. In the event of a major crime, as mentioned by the Minister of State, I would certainly insist that the delinquent, if a member of our military or naval forces, be turned over to us for judgment and punishment. . . .

Respectfully yours, SPRUILLE BRADEN

837.82/1–2345

The American Ambassador in Cuba (Braden) to the Cuban Minister of State (Mañach)[21]

No. 828 HABANA, September 21, 1944.

EXCELLENCY: I have the honor to refer to my note No. 283 of April 6, 1944[22] advising Your Excellency that the aids to navigation installed by the United States Coast Guard at Nuevitas and in the Manzanillo area would be left in place after the end of the war in consideration of the action taken by Your Excellency's Government in making property available for the installation of lights on shore and other essential space for the maintenance of these aids, and to state that the Coast Guard cutter *Sagebrush* is about to service all buoys and lights established by the Coast Guard in Nuevitas, after which it is proposed to transfer this equipment to Your Excellency's Government if that proposal is favorably received.

It has already been suggested by the Vice Consul of the United States of America at Nuevitas to the Captain of the Port there that arrangements be made to have officers and selected men from the Cuban Navy accompany the crew of the *Sagebrush* to observe and become familiar with the service procedure so that they can assume these duties. It is trusted that the suggestion of the American Vice Consul at Nuevitas meets with the approval of Your Excellency's Government and that the appropriate authorities thereof will have taken steps to give it effect.

It is understood that a supply of spare lamps for the lights and buoys as well as a supply of battery renewal elements for the range lights ashore is being furnished by the United States Coast Guard. These supplies should be sufficient to last about one year. Further replacement lamps and battery renewal elements may be procured directly from the manufacturers.

The United States Coast Guard personnel heretofore stationed at Nuevitas for the purpose of attending these buoys and lights are being removed upon completion of their work.

A schedule of lights and buoys established in Nuevitas has been furnished by the United States Vice Consul at Nuevitas to the Captain of the Port there, for transmittal to such Cuban Navy officers as may be charged with the servicing of these aids to navigation.

Please accept [etc.] SPRUILLE BRADEN

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[21] Copy transmitted to the Department in despatch 8646 from Habana, January 23, 1945; received January 25, 1945.

[22] Copy transmitted to the Department in despatch 6577, April 10, 1944, from Habana; neither printed.

810.20 Defense/9-2144

Admiral William D. Leahy, Chief of Staff to the Commander in Chief of the Army and Navy, to the Secretary of State

WASHINGTON, 21 September 1944.

MY DEAR MR. SECRETARY: The Joint Chiefs of Staff have determined that, in addition to rights now exercised in the Guantanamo Bay area, United States post-war military base requirements in Cuba are as follows:

(1) *The maximum to be desired:*

Long-term lease of a military air base and facilities at San Antonio de Los Baños, Cuba (Batista Field) and of a military air base and facilities at San Julián, Cuba, with the rights:

a. To operate military craft into and from those bases, and over the territory of Cuba, without restriction.

b. To install and maintain such radio, weather, communication and other facilities as are required for the operation of the bases, their craft, and navigational aids.

c. To operate and ensure the internal security of the bases, their equipment and appurtenances, and for those purposes to maintain there the requisite United States personnel who shall be exempt from taxes levied by the Government of Cuba or by any subordinate or local governmental agency thereof.

d. To import, free of duty, matériel, equipment and supplies requisite for the improvement, maintenance, operation and internal security of the base.

(2) *The minimum which will be acceptable:*

a. Right to operate military craft into and from the military base at San Antonio de Los Baños (Batista Field) and over surrounding Cuban territory.

b. Right to maintain at San Antonio de Los Baños (Batista Field) the minimum requisite personnel and matériel for such operations; such personnel and matériel to be exempt from taxes levied by the Government of Cuba or by any subordinate or local governmental agency thereof.

c. Comparable additional rights at least as favorable as those which may at any time be granted by Cuba to any other nation.

Sincerely yours,

For the Joint Chiefs of Staff:
WILLIAM D. LEAHY,
Admiral, U.S. Navy

810.20 Defense/9-2144

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

No. 4602 WASHINGTON, October 26, 1944.

SIR: The Department transmits a copy of a secret communication dated September 21, 1944,[23] from the Joint Chiefs of Staff relative

[23] *Supra.*

to the post-war military base needs in Cuba of the United States Government. These requirements are in addition to the rights now exercised in the Guantanamo Bay area, and have been expressed in the form of maximum and minimum needs.

In fulfilling the request of the Joint Chiefs of Staff, the Department is acting in accordance with a specific directive [24] of the President which grants it complete discretion, including decisions concerning the appropriate means, timing and other factors, in bringing about an agreement with the Government of Cuba that will coincide with, or most nearly approach, the maximum program.

Confining your discussions to a limited number of Embassy personnel only, you are requested to review the proposals carefully in the light of the general political situation in Cuba and of the views that President Grau [25] has expressed publicly and in conversations with you concerning post-war use of airport facilities. Kindly submit to the Department your opinion as to the extent to which you believe this Government may expect the cooperation and acceptance by Cuba of the formula proposed by the Joint Chiefs of Staff. The Department tends to believe that it may be difficult for the administration of Dr. Grau to accord the United States Government more favorable treatment than joint occupancy and use by the two Governments of the airports at San Antonio de Los Baños and San Julián. While it may not be possible to obtain the maximum objective of a long term lease, there would appear to be no serious difficulty in reaching an agreement with the Cuban Government on the other points mentioned in the maximum category.

You are also requested to give the Department the benefit of your views concerning the most satisfactory method of handling the negotiations, including suggestions as to timing the presentation of a draft proposal to the Cuban Government.

The Department understands that the Joint Chiefs of Staff prefer to have the term "military craft" given a liberal interpretation and to comprise therein military and naval aircraft, including gliders and combinations of planes, that are now developed or may be developed in the future, and in addition all military and naval craft, whether armed or not, that can be carried by planes, such, for instance, as automotive equipment (tanks, trucks, jeeps, bulldozers, etc.).

It is anticipated that eventually the agreement may be submitted to the United States Senate for ratification.

As indicated in the Department's secret circular instruction of August 1, 1944 (file no. 810.20 Defense/8–144) [26] it is not proposed the anticipated staff conversations will be concerned with the post-war

[24] Dated January 7, p. 546.
[25] Ramón Grau San Martín was inaugurated on October 10, 1944.
[26] *Ante*, p. 105.

status of operational facilities granted to the armed forces of this Government in its existing agreements with the Government of Cuba.

Very truly yours, For the Secretary of State:
A. A. BERLE, JR.

810.20 Defense/11–944

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

[Extract]

No. 8202 HABANA, November 9, 1944.
[Received November 13.]

SIR: I have the honor to refer to the Department's instruction No. 4602 of October 26, 1944 requesting my comments on the letter of September 21, 1944 from Admiral William D. Leahy setting forth the desire of the Joint Chiefs of Staff to see concluded with Cuba an arrangement whereby the air bases at San Antonio de los Baños and San Julián may be utilized by United States air forces after the war.

I believe it will be impossible to obtain a lease of these bases as the Cuban Government, under the pressure of public opinion, will probably be forced to require the fulfillment of our present military agreements whereby these bases are to be turned over to Cuba six months after the conclusion of the present war. I believe, however, that it will be possible to obtain the use of these facilities by our military (and/or naval) air forces in cooperation with the Cuban military authorities. It is probable that the Cuban Government will wish the Cuban flag alone to fly over these bases and to have the supreme authority rest with the Cuban military authorities.

I believe that President Grau and the present Government will accede to our request to operate military craft into and from these bases and over the territory of Cuba without burdensome restrictions. As, however, the Cuban Government may raise the question of reciprocity for Cuban aircraft flying to the United States, I should appreciate instructions as to whether such reciprocity arrangement is contemplated in the proposed agreement.

There will likewise, in my opinion, be no objection by the Cubans to the installation and maintenance by us of radio, weather, communication, and other facilities for the operation of the bases. Here again it is probable that the Cuban Government will wish to have general over-all supervision and that, as the bases may be operated jointly by the Cuban and the United States military forces, joint operation of these radio and other facilities may also become necessary although I think this situation can probably be accommodated to our satisfaction in practice, if not in the agreement itself.

. . . . . .

Respectfully yours, SPRUILLE BRADEN

837.82/10–544

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

No. 4694 WASHINGTON, November 25, 1944.

SIR: There is enclosed a copy of a letter from the Navy Department [27] stating that it is desired that the aids to navigation established by the Coast Guard at Nuevitas be transferred to the Cuban Government insofar as that Government is able to assume the responsibility for their maintenance. It is requested that the Embassy take up with the Cuban Government the question of the transfer of responsibility in accordance with the Navy Department's letter.[28]

Very truly yours, For the Secretary of State:
G. HOWLAND SHAW

810.20 Defense/11–944

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

No. 4763 WASHINGTON, December 20, 1944.

SIR: Reference is made to the Embassy's secret despatch no. 8202 of November 9, 1944 in connection with the post-war use of military air bases in Cuba. The Department appreciates the careful and helpful study you and your staff have given to the letter of September 21, 1944 from the Joint Chiefs of Staff.

The Department has reviewed your despatch with representatives of the Joint Chiefs of Staff, which have the following comments to make thereon:

1. *Lease or Joint Use Arrangement*

The Joint Chiefs of Staff consider that you should thoroughly explore with the Cuban Government the possibility of arranging a long term lease of Batista and San Julián air bases before making any proposal involving joint use and maintenance. Plans of the President and of the Joint Chiefs of Staff call for a defense facility in western Cuba under the exclusive jurisdiction of the United States Government, although it is understood that it may not be possible to obtain exclusive jurisdiction. The Joint Chiefs of Staff consider that the air bases at San Antonio de los Baños and San Julián constitute such a defense facility and that the two bases may be considered as a unit, the latter complementing the operations of the former.

Accordingly, the Joint Chiefs of Staff have requested that a thorough exploration of a lease agreement be undertaken with the Cuban Government. It would in their opinion be preferable to suffer a

[27] Not printed; it was dated October 5, 1944, and signed by Capt. O. S. Colclough.

[28] There was no reply to this instruction in 1944. Although maintenance of aids on fixed structures at Nuevitas was assumed by the Cuban Navy in September, maintenance and servicing of all aids at Manzanillo and the floating aids at Puerto de Nuevitas continued to be the responsibility of the United States Coast Guard. (837.82/1–947)

delay in concluding an agreement than to accept terms less satisfactory than exclusive jurisdiction, if a delay will assist in attaining the maximum proposal.

The Joint Chiefs of Staff have suggested that the Cuban Government would not be particularly interested in maintaining these air bases since the military airfield at Camp Columbia already appears to afford sufficient facilities. Consequently, the Cuban Government may not object to leasing to this Government the two air bases in which it has no particular interest.

2. *Reciprocity*

This Government would find no objection to granting reciprocal treatment of a nature that would permit Cuban *military* aircraft to fly to the United States.

3. *Radio, Weather, Communication and Other Facilities*

As indicated in paragraph one above, the Joint Chiefs of Staff hope that this Government will obtain exclusive control of the air bases and with it liberty to install and maintain radio, weather, communication or other facilities for the operation of the base. However, if the maximum proposal is not realized, then, of course, arrangements along the lines you have suggested may be necessary.

4. *Security of the Bases*

If a lease agreement is arranged with the Cuban Government, it is assumed by the Joint Chiefs of Staff that the United States Government would be responsible for the internal security of the bases. Should a less favorable arrangement be made security responsibility will be appropriately adjusted.

5. *Free Entry*

As indicated in Admiral Leahy's letter of September 21, the Joint Chiefs of Staff are interested in arranging for free importation of matériel, equipment and supplies. They are hopeful that such an arrangement can be worked out in spite of the local Cuban situation mentioned in your despatch, concerning which they will be ready to cooperate fully with the Cuban Government.

6. *Operation of Cuban Aircraft at Air Bases*

There would be no objection to the use of the two air bases by Cuban *military* aircraft under United States Government operation. However, the Joint Chiefs of Staff would not favor the assignment of permanent Cuban military personnel to the bases.

7. *Maintenance and Repair of the Airfields*

The Joint Chiefs of Staff have indicated that the United States Government will expect to defray expenses in connection with the maintenance and repair of the air bases, whether they are used by this Government exclusively or in conjunction with the Cuban Government. It may be possible to arrange an adjustment of the relative expense to be borne by each Government in accordance with the degree of use of the facilities by Cuba.

It is hoped that there will be no difficulty in reaching an agreement with the Cuban Government for the repair and maintenance of the roads which service the air bases.

8. *Use of Bases by Commercial Aircraft*

The Joint Chiefs of Staff suggest that use of the air bases be granted to no commercial aircraft, except by mutual agreement of the two governments.

9. *Los Canos Airport*

The Joint Chiefs of Staff have shown no interest in including Los Canos airfield in the contemplated agreement.

10. *Command Over Bases*

Your suggestion that the two air bases be placed under the command of a single United States officer meets with the entire approval of the Joint Chiefs of Staff.

11. *Possible Procedure at the Time of Outbreak of War*

The Joint Chiefs of Staff are reluctant to enter into any detailed agreement as to the procedure that might be followed in the event of the outbreak of another war. They prefer to omit this topic from discussion. They believe that changing conditions in the future may make its exceedingly difficult to undertake a satisfactory agreement of this nature with another Government.

As indicated in its instruction no. 4602 of October 26, the Department, in fulfilling the directive of the President, is eager to obtain an agreement that will most nearly coincide with the maximum proposal of the Joint Chiefs of Staff. However, responsibility for the negotiations, timing, etc. is in the hands of the Department and Embassy and it is understood that the maximum program may not be attainable. Accordingly, in connection with paragraph one of this instruction the Department would appreciate receiving your views as to the possibility of: (1) obtaining agreement to the maximum proposal either at present or after a reasonable period of delay, or (2) having eventually to accept a less satisfactory agreement than may be attainable now.

Very truly yours, EDWARD R. STETTINIUS, JR.

DISCUSSIONS REGARDING THE ADVISABILITY OF DISCONTINUING LEND-LEASE AID TO CUBA AND CUBAN DELAY IN PAYMENTS ON LEND-LEASE AND OTHER FINANCIAL OBLIGATIONS[29]

837.24/2439

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

[Extract]

No. 6081 HABANA, February 23, 1944.
[Received March 3.]

SIR: I have the honor to advise the Department that the Embassy has recently reviewed in detail with the representatives in Cuba of

[29] For previous correspondence on the Lend-Lease Agreement with Cuba, see *Foreign Relations*, 1941, vol. VII, pp. 116 ff.

other departments of our Government the question of Lend Lease facilities for Cuba. A copy of a memorandum prepared as a result of that review is enclosed for the information of the Department.[30]

The Department will observe that Lend Lease facilities for the Cuban Navy have been rather well handled. We were fortunate in having Commodore Argüelles as head of the Cuban Navy from 1940 until a few weeks ago. Commodore Argüelles' administration of that office appears to have been efficient and honorable. There is no evidence that there was any misuse of Lend Lease equipment or material during his incumbency.

The Department will likewise be interested to observe that Commodore Aguila appears to have taken up his duties in the same spirit and with the same desire to cooperate with the United States Navy. While there are unconfirmed reports that equipment for the Ministry of Defense may be entering Cuba illegally (without payment of Customs duties), the Embassy has, up to the date of writing this despatch, received no conclusive evidence which would warrant the refusal of Lend Lease facilities to the Cuban Navy at the present time.

I should like at the same time to commend the foresight of the United States Navy Department for having assigned a Naval Mission to Cuba. This Naval Mission has been able to control, in large measure, the type and extent of Lend Lease facilities made available to the Cuban Navy and has insured that these facilities have been properly utilized.

The situation with regard to Lend Lease for the Cuban Army has been less happy. This unfortunate development has been due in large measure no doubt to the general inefficiency of the Cuban Army and to the far-reaching corruption which exists amongst the members of the General Staff. It has also been due in some measure to the failure of the War Department to consult the Military Attaché and this Embassy with regard to equipment and material being made available to the Cuban Army under Lend Lease arrangements. A good deal of the equipment and material would appear not to be of the type which would best meet the needs and requirements of this Army. It is understood that the Military Attaché has requested the War Department to remedy this situation and to refer all future requests from the Cuban Government to this Embassy before final action is taken.

. . . . . .

Respectfully yours, SPRUILLE BRADEN

[30] Not printed.

837.248/169

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

[Extracts]

No. 6969 HABANA, May 23, 1944.
[Received May 30.]

SIR: I have the honor to refer to the Department's airgram No. A-795 of May 16 [*13*],[31] and to submit the following observations in respect to the operation of Lend-Lease for Cuba:

1. No one could be more enthusiastic than I concerning the remarkable accomplishments and the vital role of Lend-Lease in the success of the United Nations' war effort. Likewise, I fully recognize how imperative it was from the aspect of hemispheric defense to extend Lend-Lease aid to the other American republics. This assistance was essential so that some of them, such as Brazil, might be enabled in case of need actively to participate in military and naval operations, and it was desirable with others to build morale, enhance continental solidarity, and give them a sense of partnership in the cause for which we are fighting.

2. On the other hand, it is of paramount importance for the good of our future relations with the American republics that we face facts, deceiving no one and least of all ourselves. The facts are that millions of dollars worth of Lend-Lease matériel has been distributed without our respective diplomatic missions (including the Military and Naval Attachés accredited therein) being informed or consulted. As a result equipment, which presumably might have been better employed on the fighting fronts, has been handed over to some of our neighbors who have not and could not employ it competently, even had their countries been invaded by the enemy. Some of this equipment was both unsuited to the needs and conditions of the particular country and not requested or desired by the Governments of the beneficiaries themselves. In this manner millions of dollars and, what is perhaps more important, long manpower hours were dissipated without benefit to the war effort or to the countries involved. On the contrary, there is a latent danger that at some time the use of this equipment by one republic against another or in internal revolution may prove destructive to hemispheric unity and to our friendly relations with the other American republics.

. . . . . .

5. . . . It is evidently the opinion of the War Department that there remains little danger of attack on Cuba's coasts by enemy submarines

[31] Not printed.

or other naval vessels, as is demonstrated by the recent decision of the War Department to withdraw artillery protection from the important United States Government $35,000,000 project at Nicaro (Oriente Province), where the war essential metal, nickel, is being produced. Under these circumstances, it would be an utterly indefensible wastage of manpower and money and a misapplication of equipment which might better be employed elsewhere to deliver further Lend-Lease equipment to the Cuban military forces. Thus to squander a valuable matériel would not in the slightest assist hemispheric defense and would inevitably lay all concerned open to criticism. The Navy Department in its recent decisions not to accord further Lend-Lease assistance to Cuba even in those cases recommended by the Naval Mission has clearly indicated that it is likewise of the opinion that Lend-Lease to Cuba can no longer be justified on a military basis.

6. Subject to the approval of the United States Navy it would be proper to continue under Lend-Lease to make fuel and other supplies available to those Cuban vessels which may be engaged in joint operations with and under the command of our Navy. Similarly, if it is eventually decided to train and incorporate certain Cuban aviators (or other troops) into actual combat units to be sent to the battle fronts, the requisite Lend-Lease assistance approved by the United State War Department would be in order. Otherwise there is absolutely no justification on a war essential basis any longer to consider Lend-Lease to this country. If it can no longer be considered from a war essential basis it becomes a purely political question and as such should be subject, in final decision, to the Department of State, guided by the recommendations of this Embassy, which in turn will, of course, always consult with the Military and Naval Attachés, the Military Attaché for Air, the Commander of United States Army forces at Batista Airport, and the Chief of our Naval Mission. . . .

. . . . . .

Respectfully yours, SPRUILLE BRADEN

837.24/6–2644

The Secretary of State to the Cuban Ambassador (Concheso)

WASHINGTON, June 26, 1944.

EXCELLENCY: I have the honor to refer to the Department's Note of December 16, 1942,[32] concerning the presentation of schedules and accounts of deliveries of, and payment for, defense articles made available to the Cuban Government under the terms of the Lend-Lease Agreement signed on November 7, 1941 between the United States of America and the Republic of Cuba.[33]

[32] Not printed.

[33] For text of the agreement, see *Foreign Relations*, 1941, vol. VII, p. 122.

In this connection there are enclosed two copies of a statement [84] prepared by the Foreign Economic Administration concerning the materials and equipment transferred to the Government of Cuba up to the date of March 31, 1944. It is noted that the total amount of the items listed is $2,415,079.74. In addition to the copies of the statement mentioned, there are enclosed four copies of detailed schedules and lists [84] of supplies and equipment arranged under the headings of the respective divisions of the agencies through which the materials were obtained.

The Department will submit at a later date a supplementary statement which will include such additional items as may be delivered to the Government of Cuba subsequent to March 31, 1944 and which do not appear in the enclosed statement.

I should be pleased if Your Excellency would be so kind as to transmit copies of the enclosed schedules and accounts to the appropriate officials of the Cuban Government to the end that steps could be taken to effect payment to this Government in the manner prescribed in Article II of the November 7, 1941 Agreement.

It would be appreciated if payment could now be made in the amount of $1,400,000 which is due as of July 1, 1943, in the form of a check drawn to the order of the Treasurer of the United States of America, which could be sent to this Department for appropriate disposition.

For reasons of military security, I trust that the schedules and accounts which are enclosed herewith will be treated by Your Excellency's Government on a most confidential basis.

Accept [etc.] For the Secretary of State:
DEAN ACHESON

837.24/7–1744

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

No. 7438 HABANA, July 17, 1944.
[Received July 20.]

SIR: I have the honor to refer to the Department's confidential instruction no. 3351 of June 26, 1944 [84] transmitting, for my confidential information and the files of the Embassy, copies of notes sent to the Cuban Embassy at Washington on December 16, 1942 [84] and on June 26, 1944, concerning the schedules and accounts of, and payment for, defense articles made available to the Government of Cuba under the Lend-Lease agreement signed on November 7, 1941.

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[84] Not printed.

In the course of an interview which I had with the Minister of State [38] on July 14, 1944, he inquired how pressing it is to make payment of the sum of $1,400,000 due as of July 1, 1943, covering Lend-Lease materials furnished the Cuban Government.

It is becoming increasingly apparent that President Batista intends to discomfit the incoming Administration in every way possible, particularly financially. A systematic raid on the Treasury is in full swing with the result that Dr. Grau [39] will probably find empty coffers when he takes office on October 10. (Reference despatch no. 7433 of July 15, 1944.[40]) It is blatant that President Batista desires that Dr. Grau San Martín should assume obligations which in fairness and equity should be a matter of settlement by the present Administration.

When I next see the Minister of State I propose to point out that, technically under the Lend-Lease agreement, $2,100,000 was due from the Cuban Government as of July 1, 1944, although no bill has been presented for the full amount; that the United States Government is only seeking at this time payment of $1,400,000 due as of July 1, 1943. I shall say that as my Government has now presented the account for a portion of what is due, it naturally hopes that payment will be made as promptly as possible.

I shall be grateful for any suggestions or recommendations which the Department may wish to make in the premises.

Respectfully yours, SPRUILLE BRADEN

437.11/9–2644

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

No. 4506 WASHINGTON, September 26, 1944.

SIR: Reference is made to the Department's instruction no. 3012 of March 20, 1944 [40] and prior correspondence, and also to the Ambassador's recent discussions with officials of the Department,[41] in relation to claims of American nationals against the Government of Cuba.

As suggested in the Embassy's despatch no. 5554 of December 30, 1943,[40] the view of this Government that the Cuban Government should take definite and serious steps promptly to liquidate claims of American nationals against that Government, particularly those involving unsatisfied judgments of Cuban Courts and also those

[38] Jorge Mañach y Robato.
[39] Ramón Grau San Martín, President-elect.
[40] Not printed.
[41] Ambassador Braden was in the United States from July 24 to September 21, 1944.

arising out of supplies furnished or services rendered to that Government under contract, was brought to the attention of the Cuban Ambassador by an officer of the Department on March 1, 1944. With a view to impressing upon the Cuban Government the seriousness with which this Government regards the claims situation, it is suggested that the Embassy address a formal communication to the Ministry of State pointing out that this Government has, from time to time, given consideration to the desirability of concluding with the Government of Cuba an agreement providing for the prompt and orderly settlement of pecuniary claims of American nationals against that Government, the general nature of which has already been made known to the Ministry of State by the Embassy.

It may be added that in view of the greatly improved financial situation of the Cuban Government, there would appear to be no good reason why that Government should further postpone the payment of obviously valid claims, such, for example, as those based on unsatisfied judgments of Cuban Courts, and on non-payment for services rendered, or supplies furnished, under contract. Elementary principles of justice would seem to require that the Cuban Government take steps now to liquidate such obligations, many of which have been outstanding over a long period of years.

It may also be stated that it is the view of this Government that, in the interest of justice to the nationals of both countries, the two Governments should adopt a procedure for the final adjustment of other outstanding claims of nationals of each country against the Government of the other, the validity of which has not been determined or is not readily so apparent. It is accordingly suggested that, with a view to accomplishing that purpose, the Embassy transmit to the Ministry of State a copy of the enclosed draft claims convention and annexed Rules of Procedure [42] with a request that the matter be given earnest consideration with a view to the early conclusion by the two Governments of an agreement along the lines indicated in the enclosed draft.

The Department is, of course, in entire agreement with the Embassy that all proper steps should be taken to protect American interests against the activities of so-called "mediators" [43] referred to in the antepenultimate paragraph of the Embassy's despatch no. 5554 of December 30, 1943.

Very truly yours, For the Secretary of State:
A. A. Berle, Jr.

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[42] Neither printed.
[43] Reference is to fraudulent claims adjusters.

837.24/10–244 : Airgram

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

HABANA, October 2, 1944—2 : 25 p. m.
[Received October 4—5 p. m.]

A–2223. Reference Department's A–1699, September 27, 4 p. m.[45] On September 29, when I inquired of the Minister of State when we could expect payment now overdue of $1,400,000 on account of our Lend-Lease deliveries to Cuba, I recalled to him that the Department had requested such payment in its June 26 note to the Cuban Embassy in Washington and that I had, under instructions from the Department, followed up in the premises. I explained that, despite any impression which the Cuban Government had to the contrary, this was a payment which required prompt action.

The Minister replied that when he mentioned the subject to President Batista recently, the latter "had almost had a fit". Dr. Mañach added that "the Treasury, as you know, is absolutely bare" and that the most he could hope for was the payment of certain claims for official cable and radio messages of the Cuban Government, and that even with regard to these claims he had been forced to remind the President that he (Mañach) had promised me in the President's name that these accounts would be liquidated before October 10. The Minister obviously had in mind the three claims for services rendered by the Western Union Telegraph Company, Cuban All America Cables and Cuban Transatlantic Radio Corporation, aggregating $148,595.71, the payment of which, together with some $81,000 owed our Government for expenses incurred in the repatriation of Cuban nationals from Europe and the Orient, was authorized by Decree No. 2395 of August 2, 1944 (with regard to the $81,000, Dr. Mañach assured me that this definitely would be taken care of).

I expressed my deep regret that the Cuban Government could not see its way clear at this time to liquidate its Lend-Lease indebtedness of $1,400,000 and the Minister again assured me that there was absolutely nothing that could be done in this connection.

BRADEN

437.11/10–1644

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

No. 8058 HABANA, October 16, 1944.
[Received October 23.]

SIR: Referring to my despatch No. 7991 of October 2, 1944[46] reporting that I again forcefully urged upon the Cuban government

[45] Not printed; it requested the Embassy to make discreet inquiry of the appropriate Cuban officials concerning the lend-lease reimbursement installment discussed in the Secretary of State's note of June 26 to the Cuban Ambassador, p. 908.

[46] Not printed.

the prompt payment of long-standing valid claims and proposed the conclusion of a claims convention, I have the honor to state that the outgoing Minister of State [47] in his note No. 2466 of October 4, 1944 (received by the Embassy October 10) copy and translation of which are enclosed,[48] maintained that "the government of Cuba continues to make necessary arrangements" for the payment of outstanding valid claims but could not accept the claims convention proposal since the claims contemplated therein are "excepted from the provisions of the General Treaty of Inter-American Arbitration [49] to which Cuba and the United States of America are parties." He further stated that these claims "should be settled in accordance with procedure stipulated by the domestic laws of the respective sovereign states." The Minister concluded that since aliens residing in Cuba as well as companies with home offices outside of Cuba which do business with the Republic are subject to Cuban jurisdiction in matters relating to Cuba this "precludes the possibility of considering the conclusion of a convention of the type submitted . . . in which the government of Cuba surrenders jurisdiction of the national courts."

The statement by the Minister that the promulgation of decree No. 2395 of August 2nd providing for the payment of $81,012.29 for the reimbursement of expenses for repatriation of Cuban nationals in Europe, and for other sums for the payment of debts owed the Western Union Telegraph Company, the Cuba All-America Cables Company and the Cuban Trans-Atlantic Radio Corporation constituted an example of the "necessary arrangements" being made for the liquidation of valid long outstanding claims hardly bears favorable comment. The decree, it must be admitted, was promulgated. To date, however, not one penny of the sums owing has been paid, although, as reported in my airgram 2223 of October 2, 2: 25 p. m., the Minister of State had previously promised me in the President's name that these accounts would be liquidated before October 10,[50] and that while he later had told me that "absolutely nothing" could be done with respect of the past-due bill of $1,400,000 contracted under the lend-lease agreement, he assured me that the $81,012.29 owed for repatriation "definitely would be taken care of." Had this erstwhile administration any other than an utterly shameless contempt for meeting its just obligations it certainly would have at least paid these debts for which funds could easily have been found.

While the proposal looking to the conclusion of a claims convention was rejected (the Minister even returned to me the copy of the draft convention which I had sent him), I feel that a useful purpose has

[47] Jorge Mañach y Roberto.
[48] Not printed.
[49] Signed at Washington, January 5, 1929, *Foreign Relations*, 1929, vol. I, p. 659.
[50] President Fulgencio Batista was succeeded in office by Ramón Grau San Martín on October 10, 1944.

been served in getting an expression of our opinion on claims matters, together with a proposal for a claims convention, into the record of the administration which has been so derelict in the premises.

In view of preliminary discussions with Dr. Grau and his advisors, I have hope that the new administration will at least entertain proposals looking to the settlement of the claims in question, and I shall not fail to avail myself of appropriate opportunities to urge a satisfactory conclusion of the general subject.

In the meantime, I should be interested to receive an expression of opinion of the views of the Legal Division of the Department as to the soundness, or lack thereof, of the arguments advanced by the Minister in refusing to conclude the proposed convention.

Respectfully yours, SPRUILLE BRADEN

837.24/10–2444

The Foreign Economic Administrator (Crowley) to the Secretary of State

WASHINGTON, October 24, 1944.
[Received October 25.]

DEAR MR. HULL: Ambassador Braden's secret airgram (A–2223) of October 2, 1944, with reference to the Cuban Government's failure to make any payment on account of the amount now overdue under our Lend-Lease agreement, raises a question which has been bothering me for some time.

Under the terms of Article II of the Cuban agreement the Republic of Cuba was required to pay not more than a total of $2,100,000 before July 1, 1944. I understand that bills aggregating more than that amount have already been submitted to the Cuban Government by the Department of State. However, the Cuban Government has paid nothing on account of this past-due indebtedness, and from the facts set forth in the airgram referred to above, it appears unlikely that that Government proposes to make any payment in the near future.

Having regard for the aid supplied to Cuba, as well at the considerable amounts paid by this Government under various procurement programs in Cuba, the attitude of the Cuban Government would appear to be indefensible. I am enclosing a secret statement [54] of Cuba's gold and dollar holdings, which makes the position the Cuban Government took with Ambassador Braden seem very strange. You may wish to make these figures available to the Ambassador for such use as he may desire to make of them in any further conversations he may have on this subject.

[54] Not printed.

Subject to over-riding considerations of military policy and foreign policy, I would like to suggest that consideration be given to suspending further Lend-Lease aid to Cuba until such time as this default is cured. May I have your reaction to this suggestion?

Sincerely yours, LEO T. CROWLEY

837.24/10–2444

The Secretary of State to the Foreign Economic Administrator (Crowley)

WASHINGTON, November 21, 1944.

MY DEAR MR. CROWLEY: I acknowledge the receipt of your letter dated October 24, 1944 concerning payments on account which are due and in arrears from the Government of Cuba under the Lend-Lease Agreement.

During the past six months repeated requests for payment have been made both directly to the Government of Cuba through its Embassy here and through the American Embassy at Habana. For example, in its note of June 26, 1944 the Department enclosed the Statement LL–1 [55] prepared by your Administration and the supporting schedules thereto,[55] and requested the Government of Cuba to make a payment on account. Although it is true that the Lend-Lease Agreement with Cuba was signed on November 7, 1941, this statement, received from your Administration by letter of June 3, 1944,[55] represented the first billing of charges made against the Government of Cuba and covered all lend-lease material transferred through March 1944. On June 26 an instruction was also sent to the American Embassy at Habana.[56]

Again, on September 27, 1944 the Embassy at Habana was instructed [57] to make inquiry of the appropriate Cuban officials respecting payment on account and to indicate that the check should be made payable to the "Treasurer of the United States, For the Account of the Foreign Economic Administration". At that time our Embassy at Habana was again requested to seek payment.

Only last month the Government of Cuba had a change in administration. Obviously, the new President, Dr. Grau, must be busily engaged in getting his administration organized. Recently, an officer of this Department was informed by Mr. Kempter [58] of Foreign Economic Administration that the latter had received information that apparently Dr. Grau wishes to meet all payments on account which are due under the Lend-Lease Agreement.

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[55] Not printed.
[56] Instruction 3351, not printed.
[57] Airgram A–1699, not printed.
[58] Charles W. Kempter, Principal Liaison Officer.

Consequently, since this Department has already approached the Cuban Government several times within the relatively short period of six months with requests for payment on account, it would not be advisable at this time for political reasons to consider any alternative methods for expediting payments on account. Furthermore, any deviation from the accepted procedure which is used in the collection of lend-lease reimbursements would be discriminatory against Cuba vis-à-vis the other American Republics with which this Government has Lend-Lease Agreements.

Sincerely yours, For the Secretary of State:
DEAN ACHESON
Assistant Secretary

837.00/12–944

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

[Extract]

No. 8392 HABANA, December 9, 1944.
[Received December 13.]

SIR: I have the honor to inform the Department that on December 1, 1944 I discussed with President Grau certain pending matters which the Embassy has outstanding with the Cuban Government. I left with him a list of these pending matters, a copy of which is enclosed for the information of the Department.[59] I pointed out to the President that many of these subjects had been discussed in the course of a conversation which Ambassador Armour [60] and I had with him at the Blair House on September 2, 1944. I also informed him that I had mentioned the subjects to Prime Minister Lancis and Minister of State Cuervo Rubio on November 3, 1944.

With respect to claims of United States nationals, the lend lease account, and the account for the repatriation of Cuban nationals, I have stressed to these various Cuban Government officials the importance of taking some action in the near future, looking toward a settlement of these accounts. All have been in general agreement that such steps should be taken, but I regret to say that up to the present time nothing tangible has been done. I discussed this subject with the Minister of Finance, Dr. Manuel Fernández Supervielle, on December 6, 1944. He was in full agreement that the amounts owed the United States Government should be paid promptly and he has promised to take active steps in that direction. With regard to the claims of United States nationals, however, he said he is of the definite

[59] Not printed.
[60] Acting Director, Office of American Republic Affairs.

opinion that all claims of private entities should be handled on the same basis and that no preference should be given to any specific company or individual. He said that the President would shortly send a message to Congress asking for the establishment of the Tribunal of Accounts; as soon as this Tribunal has been established it will, in accordance with the pertinent provisions of the Cuban Constitution, proceed to ascertain the amount of Cuba's floating debt, which the Minister estimates at from 80 to 90 million pesos. Once this has been done and the Tribunal has submitted its report to the President, Dr. Grau will, the Minister said, ask Congress to adopt the necessary legislation for the settlement of the floating debt. Therefore, it appears that there is no prospect of the United States nationals collecting, at the present time, those claims which have become part of the floating debt.

. . . . . .

Respectfully yours, SPRUILLE BRADEN

837.24/12–1444

The Foreign Economic Administrator (Crowley) to the Secretary of State

WASHINGTON, December 14, 1944.
[Received December 16.]

DEAR MR. STETTINIUS: I have the Department's letter of November 21, 1944 (FMA [61] 837–24/10–2447), in reply to my letter to Mr. Hull, dated October 24, 1944, with reference to Cuba's default under her Lend-Lease agreement—and more particularly to Ambassador Braden's secret airgram (A–2223) of October 2, 1944, on that subject. In that connection, I would like to express my appreciation of the efforts which the Department has made thus far to collect the amount due and payable.

The formal billing of Cuba and the other Latin American Republics was unavoidably delayed for reasons beyond the control of this Administration and its predecessor, the Office of Lend-Lease Administration. As you are already familiar with these reasons, I shall not repeat them here. I do not believe, however, that the delay in formal billing should be deemed to affect the question of Cuba's default under her agreement.

While I note that the Department is of the opinion that alternative methods for expediting payment are deemed inadvisable at this time

[61] Division of Financial and Monetary Affairs.

for political reasons, I hope the Department will give favorable consideration to repeating our request for payment at the earliest practicable date.

I am writing you a separate letter dealing with the other Latin American accounts, and would like to assure you that there is not and has not been any desire on the part of this Administration to single out Cuba for any different treatment than the other countries who are in default.

Sincerely yours, LEO T. CROWLEY

837.24/12–2844

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

No. 8506 HABANA, December 28, 1944.
[Received January 4, 1945.]

SIR: I have the honor to refer to my airgram A–2223, October 2, 2:25 p. m., 1944, and to previous correspondence with regard to the amount of $1,400,000 due from the Cuban Government on the account of Lend-Lease and to inform the Department that I have discussed this matter on a number of occasions with the Minister of State and the Minister of the Treasury.[63] Both of these officials have assured me that it is the full intention of the Grau administration to make payment promptly but up to the present time no effective action along this line has been taken.

I mentioned this situation on December 26 to Ambassador Belt,[64] who is at present in Habana. He said that there is an "understanding around generally" that Lend-Lease will never be collected; therefore, Cuba does not wish to pay and later find that others have not been required to do so. I assured Ambassador Belt that he was mistaken and that the United States Government does expect to be reimbursed in accordance with the terms of the various Lend-Lease agreements. The Department may wish to take an appropriate opportunity to reiterate this point of view to Ambassador Belt.

Respectfully yours, For the Ambassador:
GARRET G. ACKERSON, JR.
First Secretary of Embassy

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[63] Mario Diaz Cruz.
[64] Guillermo Belt, Cuban Ambassador to the United States.

DISCUSSIONS AND AGREEMENTS RELATING TO THE CUBAN SUGAR CROPS AND RELATED EFFORTS TO STABILIZE FOOD PRICES IN CUBA[65]

837.5018/71 : Airgram

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

WASHINGTON, January 14, 1944—5 : 30 p. m.

A–78. Reference is made to your despatch no. 5536 of December 28, 1943[66] transmitting a copy of a communication dated December 23, 1943 from the Minister of State and its enclosure[67] relative to the 1944 price stabilization proposal on basic foodstuffs.[68]

Since the price stabilization plan, which was so successful in 1943, formed a part of the basic framework of the 1944 sugar negotiations and contract between agencies of the two Governments,[69] this Government considers it highly desirable that a mutually satisfactory agreement be reached for a continuation of the plan.

The United States Government is aware of the problem facing Cuban importers with respect to rice, and it wishes to inform the Cuban Government that it is making every possible effort to assure Cuban buyers an opportunity to contract for the amount of rice allocated by the Combined Food Board.[70] Plans toward that end are being considered at the present time, and the Cuban Government will be kept informed of developments. Meanwhile, the competent agencies in Washington are of the opinion that no ceiling price increase in rice should be put into effect.

Recent increases in ceiling prices of milk and black beans have been noted. Since these products were included in the list mentioned in your note no. 1155 of October 25, 1943[71] to the Minister of State and were likewise included in the group of products subject to effective price control by the Cuban Government during 1943, it is the hope of this Government that any further increases in ceiling prices of these articles and others on the list will be discussed by the Cuban Government with you and the interested agencies here before definitive action is taken.

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[65] For previous correspondence on 1944 sugar negotiations, see *Foreign Relations*, 1943, vol. VI, pp. 151 ff.; for details of price stabilization, see *ibid.*, pp. 211 ff.

[66] *Ibid.*, p. 221.

[67] Note 3728 from Minister of State Emeterio S. Santovenia and its enclosure not printed.

[68] For terms of the proposal presented in August 1943, see despatch 1155, October 23, 1943, from Habana, *Foreign Relations*, 1943, vol. VI, p. 217.

[69] For summary of 1944 crop contract, see bracketed note, *ibid.*, p. 175.

[70] A council composed of one member each from the United States, Great Britain, and Canada, under the Chairmanship of Secretary of Agriculture Claude R. Wickard.

[71] *Foreign Relations*, 1943, vol. VI, p. 217.

You are requested to inform at once the appropriate Cuban officials of the foregoing and to seek a definitive, favorable reply to your note no. 1155 of October 25.

HULL

837.5018/73

The American Ambassador in Cuba (Braden) to the Cuban Minister of State (Santovenia) [72]

No. 47 HABANA, January 19, 1944.

EXCELLENCY: I have the honor to refer to Your Excellency's note No. 3728 of December 23, 1943,[73] transmitting a memorandum in which the Office for Regulation and [*of*] Prices and Supply stated that it was not able to assure my Government that prices to consumers in Cuba would not be increased during 1944 for rice, wheat flour, beef, milk, and charcoal. Such assurance was requested by my Government for these commodities in its note No. 1155 of October 25, 1943,[74] and also for lard, edible oils, beans, and alcohol, in return for the assurance by my Government of adequate supplies at stable prices for rice, wheat flour, and lard imported into Cuba.

The price stabilization understanding between Your Excellency's Government and my Government was successful in 1943, and formed a part of the basic framework of the 1944 sugar negotiations. My Government therefore considers it of primary importance that an early mutually satisfactory agreement be reached for a continuation of the plan.

Every effort is being made in the United States to assure Cuba an adequate rice supply, and my Government is of the opinion that no increase in Cuban ceiling prices for rice should be put into effect.

With reference to the other commodities, my Government may find it difficult to justify the expenditures involved in assisting Cuba to stabilize prices unless consumers in Cuba receive the maximum benefits therefrom. It has therefore expressed the hope that any further increases in ceiling prices for basic foodstuffs such as recently were authorized in respect of black beans, milk, and beef can be avoided, and should such price increases be considered unavoidable, that they be made the subject of prior discussion with the appropriate officials and agencies of my Government.

I will appreciate receiving at the earliest possible opportunity a definitive reply from Your Excellency's Government whether, in view of the explanatory comments above, the proposals made in my note No. 1155 of October 25, 1943, afford a satisfactory basis for

[72] Copy transmitted to the Department in despatch 5751 of January 20, *infra*.
[73] Not printed.
[74] *Foreign Relations*, 1943, vol. VI, p. 217.

implementing the price stabilization undertaking agreed upon between the representatives of our two Governments during the recent sugar negotiations.

Please accept [etc.] SPRUILLE BRADEN

837.5018/73

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

No. 5751 HABANA, January 20, 1944.
[Received January 24.]

SIR: I have the honor to refer to the Department's airgram No. A–78 of January 14, 1944, instructing the Embassy to seek at once from the Cuban Government a definitive, favorable reply to the Embassy's note No. 1155 of October 25, 1943,[75] relating to price stabilization in Cuba.

The airgram under reference expressed the opinion of United States agencies that Cuba should not increase ceiling prices for rice, and that any future increase in the ceiling price of a basic foodstuff should be the subject of prior discussion between the Cuban Government, the Embassy, and the interested agencies in Washington. These instructions have been carried out and the Cuban Government was informed of the foregoing in the Embassy's note No. 47 of January 19, 1944, a copy of which is attached.

The Embassy desires to draw attention to the fact that compliance with the United States request not to increase the Cuban ceiling price of rice has led to almost complete non-enforcement of such ceiling price. Importers for several months have been unable to buy their usual types of low-quality southern United States rice on which Cuban ceilings are based. As a consequence, prices have risen to a level which covers the cost of high-quality rice and the situation now is largely beyond the control of the ORPA.[76] Rigid enforcement of ceiling prices in Cuba, assuming that it were possible, would create great difficulty as it would curtail import of high-quality rice and thus create acute shortage. In this connection, reference should be made to the Embassy's previous despatch no. 5536 of December 28, 1943.[77] If prices to consumers are to be effectively controlled, it is most urgent that United States agencies consider not only the quantity but also the quality of rice destined for Cuba under the Combined Food Board allocation and take measures to insure supply of the lower-quality.

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[75] *Foreign Relations*, 1943, vol. VI, p. 217.
[76] Oficina de Regulación de Precios y Abastacimientos (Office for Regulation of Prices and Supply).
[77] *Foreign Relations*, 1943, vol. VI, p. 221.

No mention of wheat flour was made in the Department's airgram. The Embassy is receiving requests each day concerning the wheat flour situation, with specific reference to the base port for shipment mentioned by ORPA in the Cuban note No. 3728 of December 23, 1943,[78] and to the export program in prospect for 1944. Information on these subjects, with reference to the Embassy's comments in airgram A–105 of January 15, 1944,[78] would be most helpful in disposing of these requests.

Respectfully yours,

For the Ambassador:
PAUL G. MINNEMAN
Agricultural Attaché

837.61351/4546d : Airgram

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

WASHINGTON, January 21, 1944—7 : 30 p. m.

A–127. You are authorized to transmit the following proposal informally to the Cuban Government.

"In view of the unfortunate interruptions in the molasses negotiations between the representatives of our Governments by the illness of our esteemed colleague and friend, Ingeniero Amadeo López Castro,[79] at the suggestion of the Foreign Economic Administration, I have been authorized by my Government to submit a proposal for the consideration of the Cuban Commission pending the early resumption of these discussions in Habana. My Government proposes that the Cuban Commission consider a sale of 100,000,000 gallons, but not less than 60,000,000 gallons of blackstrap molasses at 2.18¢ per pound of total sugars content for blackstrap molasses containing 52% total sugars or more (this is the equivalent of 1942 price of 13.6¢ per gallon) : For blackstrap molasses containing less than 52% total sugars content there shall be deducted from the above-mentioned basic price for each percentage or fraction thereof below 52% total sugars .05¢ per pound total sugars content. Of course it will also be necessary to reach an agreement on matters of delivery and other commercial details. However, it is believed that agreement on these matters can readily be reached without the necessity of prolonged or extended discussions.

When discussions are resumed, it will be necessary, in the opinion of my Government, to explore the basic principles involved in the general molasses–alcohol situation to the end that a mutually acceptable solution can be reached at the earliest possible time. My Government appreciates that the Government of Cuba is no less concerned in this regard than is the Government of the United States, and that it is also fully appreciative of the urgency of obtaining for war pur-

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[78] Not printed.
[79] Chairman of the Cuban Sugar Commission negotiating in Washington.

poses the maximum quantities of blackstrap molasses and industrial alcohol.

My Government, of course, realizes that the use of substantial quantities of industrial alcohol is essential to the economy of your country and the welfare of its inhabitants. It is appreciated that your Government has limited the consumption of alcohol for fuel purposes to the fullest extent possible throughout the past year. Moreover, it is recognized that it is the intention of your Government to maintain this restriction.

During the same period, however, the production of beverage alcohol has vastly increased in Cuba, as have also importations to the United States. My Government has prohibited domestic distillers from producing any alcohol for beverage purposes and has diverted our entire distillation capacity to war requirements. The limitation of beverage alcohol production appears to present the most immediate practical source of additional supplies of industrial alcohol and its ingredients for war purposes. Accordingly, it is the earnest hope of my Government that a limitation on the production of beverage alcohol will be established by the Cuban Government as a result of these discussions. My Government is prepared to impose an import control on beverage alcohol, but it is reluctant to take such a step unless discussions between our Governments indicate its desirability.

My Government is aware of the complete understanding of its viewpoint on the part of your Government's representatives, but unfortunately the interruption of discussions did not allow a thorough exploration of the considerations which should govern a final and satisfactory determination. The present proposal is made in view of the need, recognized by both Governments, for carrying on the discussions at the earliest possible date and on the high plane of mutual cooperation which has so clearly marked the previous negotiations."

You are requested, with the knowledge of the Prime Minister,[80] personally to furnish each of the members of the Cuban Commission with a copy of the foregoing proposal. The Department requests you to emphasize to the members this Government's hope that the proposal will receive very careful consideration in view of the increasing importance and urgency of reaching an early agreement.

Mr. Scheuer [81] plans to proceed to Habana to meet with the Cuban Commission on Monday morning, January 31. He will be accompanied by a group presumably composed of: Mr. Earl B. Wilson, CCC; [82] Mr. Samuel H. Sabin, DSC; [83] Mr. James M. Ferguson, DSC and Mr. John A. Eyre, FEA.[84]

HULL

[80] Ramón Zaydín.
[81] Sidney H. Scheuer, Director, Foreign Procurement and Development Branch, Foreign Economic Administration.
[82] Commodity Credit Corporation.
[83] Defense Supplies Corporation.
[84] Foreign Economic Administration.

837.61351/4574

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

[Extract]

No. 5861 HABANA, February 1, 1944.
[Received February 5.]

SIR: I have the honor to enclose herewith copy and translation of a letter [85] from Dr. Ramón Zaydín, Prime Minister of Cuba, with reference to the molasses–alcohol negotiations. This communication is in reply to the Embassy's letter of January 22, 1944 (please see despatch No. 5778 of January 24, 1944 [86]), and although dated January 26 it was not delivered until the evening of January 29, that is, only a few hours before the arrival of the American Commission.[87]

Dr. Zaydín accepts the suggestion for the resumption of the negotiations and states that they will be on the following bases:

1. Negotiations for the sale of blackstrap and alcohol shall "comprise a single negotiation."
2. "Around 50,000,000 gallons" of blackstrap will be offered "at the price to be discussed in the negotiations." (In other words, there is no recognition of the fact that our offer of 13.6 cents per gallon for blackstrap is an acceptance of the highest price hitherto suggested by the Cubans.)
3. Reference to 90,000,000 gallons of blackstrap allegedly required by the Cuban domestic market, and possibly more in the event of an exchange of gas oil for gasoline. (Dr. Zaydín's letter refers to an exchange of gas oil for *molasses*, but this is assumed to be an error.)
4. "Sale of alcohol and maintenance of the liquor market."

. . . . . .

Respectfully yours, SPRUILLE BRADEN

837.61351/4569 : Telegram

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

HABANA, February 3, 1944—6 p. m.
[Received 9:11 p. m.]

102. For Crowley and Cox, FEA,[88] from Scheuer and Ball. Supplementing Embassy's telegram No. 98, February 2, 8 p. m.,[85] the following proposal has today been submitted in writing to the Cuban Government.

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[85] Not printed.

[86] Not printed; the letter presented to the Cuban Government the substance of airgram A–127, *supra*, with the exception that the minimum sale of blackstrap molasses presented for consideration by Cuba was 75,000,000 rather than 60,000,000 gallons. (837.61351/4538).

[87] For members of this Commission, see last paragraph of airgram A–127, *supra*.

[88] Leo T. Crowley, Administrator, and Oscar Cox, General Counsel, Foreign Economic Administration.

1. Cuba will sell to the United States and the United States will buy a minimum of 85 million physical gallons of black strap molasses at a price of $.0218 per pound of total sugars content f.o.b. tank car at Cuban port terminals or coastal points of delivery to be determined. For black strap molasses containing less than 52 percent total sugars there shall be deducted from the basic price for each percentage or fraction thereof below 52 percent total sugars $.0005 per pound of total sugars content.

2. The United States and Cuba shall agree to take all necessary mutual action to limit shipments of beverage alcohol and spiritous liquors from Cuba to the United States to a total amount for the year 1944 not to exceed the amount imported into the United States during the year 1943. This amount is the equivalent of approximately 14,300,000 proof gallons of alcohol.

3. It is understood that Cuba will reserve for its domestic needs an amount of black strap molasses necessary to provide *carburante*, fuel, et cetera, such amount being estimated at 85,000,000 physical gallons.

4. Cuba will sell to the United States and the United States will buy all black strap molasses produced in 1944 or carried over from 1943 in addition to the 85,000,000 physical gallons provided for in paragraph 1 hereof which may not be required.

a. for Cuban domestic needs provided for in paragraph 3 hereof or

b. for the production of beverage alcohol or spiritous liquors provided for in paragraph 2 hereof.

At the option of Cuba up to 8 million wine gallons of 190 proof ethyl alcohol meeting United States specifications may be delivered by Cuba in lieu of all or part of the black strap molasses purchased under this.

4. [*sic*] The United States will pay for all black strap molasses the price provided for in paragraph 1 and will pay for any 190 proof ethyl alcohol 50 cents per wine gallon f.o.b. Habana.

5. Should there be any change during 1944 in the requirements of alcohol for the prosecution of the war the United States is prepared at the request of the Cuban Government to reexamine any restrictions imposed on the importation of beverage alcohol or spiritous liquors into the United States in the light of such change.

6. The objective of both countries is to make available the maximum quantities of black strap molasses and 190 proof ethyl alcohol for use in the war effort.

[Scheuer and Ball]
BRADEN

837.61351/4576 : Telegram

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

HABANA, February 7, 1944—8 p. m.
[Received February 8—1 : 59 a. m.]

120. On Friday afternoon Prime Minister stated that because molasses alcohol negotiations had reached an impasse he wished to

discuss them with me. Accordingly, in interview Saturday afternoon, he insisted Cuba be allowed to export to the United States this year approximately 28,000,000 proof gallons of beverage alcohol or liquors. I told him categorically I was sure neither the Commission nor authorities in Washington could or would consent to more than 14,300,000 gallons, the amount imported during 1943, and it was agreed that with this fact in mind he redraft the Cuban proposal.

This morning Prime Minister and I began discussion of his redraft which proposed approximately 19,000,000 beverage liquor imports for period of 12 months beginning March 1, 1944. At this point, as prearranged, I requested Scheuer to join us. The latter insisted that 14,300,000 gallons was absolute maximum, objected to March 1 date, expressed opinion that 75 cents per gallon for industrial alcohol was high and brought up several other points of a more or less technical nature.

After 5 hours interview Prime Minister requested that American Mission meet tonight with Cuban group under chairmanship of Minister of Agriculture,[90] endeavor to settle the several technical points, and he strongly urged acceptance of 75-cent price, stating that this would enable him to convince President Batista to limit beverage alcohol exports to our figure.

While, by reason of Scheuer's forceful presentation, Prime Minister has in considerable measure come around to viewpoint of American Mission with respect to beverage alcohol, I believe Under Secretary's interview with Concheso,[91] if transmitted to Batista should be most helpful, particularly as so many influential political figures are now directly interested in beverage business.

BRADEN

837.61351/4613

Memorandum of Conversation, by Mr. George F. Scherer of the Division of Caribbean and Central American Affairs

[WASHINGTON,] February 8, 1944.

At Mr. Bonsal's[92] request the Cuban Ambassador visited the Department on February 7. Mr. Bonsal mentioned that after a week of discussions, the Cuban and United States positions on blackstrap molasses and alcohol differed basically. It appeared to Mr. Bonsal that the Cuban distilling interests had been able to exert sufficient

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[90] Joaquín Martínez Sáenz.

[91] The interview of Edward R. Stettinius, Jr., with Cuban Ambassador Aurelio F. Concheso was reported to Ambassador Braden in Department's telegram 106, February 7, 3 p. m., not printed.

[92] Philip W. Bonsal, Deputy Director, Office of American Republic Affairs.

pressure to have the Cuban Commission adopt a proposal whereby an unduly large amount of beverage alcohol would be produced in 1944.

It was pointed out to the Cuban Ambassador that in view of the very pressing and imperative demand for molasses and industrial alcohol in the synthetic rubber and other war programs, the high officials of the United States Government including Judge Byrnes,[93] Mr. Stettinius and others feel that it would be reasonable to propose that the Cubans export to the United States the same quantity of alcoholic beverages as in 1943.

Mr. Bonsal added that public opinion in the United States would seriously question an uncontrolled flood of spirits into this country, especially when our domestic distillers are producing only industrial alcohol for the war.

The Cuban Ambassador stated that he understood the situation clearly and he agreed that every effort should be made to obtain the Cuban Government's agreement to a limitation of 1944 Cuban spirits imports into the United States to the 1943 total. At the conclusion of the conversation Mr. Bonsal accompanied the Cuban Ambassador to the Under Secretary's office.

837.61351/4613

Memorandum of Conversation, by the Deputy Director of the Office of American Republic Affairs (Bonsal)

[WASHINGTON,] February 7, 1944.

This memorandum should be read in conjunction with the memorandum of Mr. Bonsal's conversation of the same date with the Cuban Ambassador.[94] Following the conversation reported in that memorandum, Mr. Bonsal accompanied the Cuban Ambassador to Mr. Stettinius' Office.

The Under Secretary of State spoke most emphatically to the Ambassador regarding our vital need for molasses and industrial alcohol for war purposes including the production of synthetic rubber. In the course of the conversation the Under Secretary telephoned Justice Byrnes and secured the latter's hearty endorsement of all of his remarks as to the really critical situation with which we are confronted.

The Ambassador was apparently much impressed and said that he would immediately telephone President Batista and enlist the latter's cooperation in prompt and favorable settlement of the negotiations.

PHILIP W. BONSAL

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[93] James F. Byrnes, Director of War Mobilization.

[94] *Supra.*

837.61351/4600

Memorandum by the Deputy Director of the Office of American Republic Affairs (Bonsal) to the Under Secretary of State (Stettinius)

[WASHINGTON,] February 9, 1944.

MR. STETTINIUS: The Cuban Ambassador has just informed me that he spoke to President Batista regarding the molasses–alcohol situation at about 1 p. m. today. The Ambassador apparently described the situation in extremely vigorous terms. In fact, it is understood that the President is going to call in the Prime Minister this afternoon in order to go over the situation with him.

I have arranged to discuss the matter this afternoon with Señor López Castro, who until his recent severe illness headed the Cuban delegation and who is returning to Cuba tomorrow. I believe that López Castro's influence with the President will be very helpful.

PHILIP W. BONSAL

837.61351/4587 : Telegram

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

[Extract]

HABANA, February 11, 1944—midnight.
[Received February 12—5 : 21 a. m.]

138. Confirming information conveyed to Scheuer in Miami by telephone this evening the President informed me tonight of the "complete acceptance" by the Cuban Government of the proposal submitted to Zaydín last evening pursuant to his request as described in section 8 of my telegram No. 132, February 10, 7 p. m.[95] Furthermore Batista went to great lengths to express his appreciation at, and satisfaction with, our terms concerning which he then made certain "observations" making clear however that these represent points on which his Government hopes we may be able to meet their views but that they are not conditions of acceptance. The points are as follows: numbered paragraphs refer to the memorandum "Proposal of the US Delega-

[95] Not printed; in section 8 Ambassador Braden described President Batista's request that the American delegation submit its best possible proposal for immediate consideration by the Cuban Cabinet. This request, Braden explained, followed close upon his report to Zaydín that the Department believed it to be necessary, in the light of failure to settle the molasses–alcohol controversy, to impose an embargo on the importation of Cuban beverage alcohol and liquors—the action to be announced not later than noon of February 16. (837.61351/4584) For information concerning the proposal presented to Zaydín, see bracketed note, *infra*.

tion" dated February 10 "copies of which are being taken to Washington by Scheuer".[96]

. . . . . .

BRADEN

[The molasses–alcohol negotiations in Habana were concluded by an exchange of notes on February 12 and a supplementary memorandum dated February 16. Embassy note No. 112, February 12, not printed, formalized the understanding reached between Ambassador Braden and President Batista on February 10. By the terms of this note the United States expressed its willingness to buy a minimum of 65,000,000 physical gallons of blackstrap molasses and a maximum of 12,500,000 wine gallons of 190 proof alcohol, the former to be purchased under the terms of the 1942 molasses contract (see *Foreign Relations*, 1942, volume VI, page 321, footnote 88), the latter to be bought at a price of 65 centavos per gallon f.o.b. Habana. (837.61351/4664)

The Cuban Government's reply, note No. 371, February 12, confirmed this understanding and added several recommendations which Minister of State Santovenia and President Batista expressed the hope would be taken into consideration in the following weeks during the drafting of the sales-purchase agreement in Washington. (837.61351/4664)

On the morning of February 16 Ambassador Braden left with Prime Minister Zaydín an informal memorandum of that date, not printed, assuring the Cuban Government that its recommendations of note No. 371 were receiving careful consideration and that certain changes of wording in Embassy note No. 312 recommended in note No. 371 would be acceptable to the United States Government. (327.61351/4664)]

837.5018/76 : Airgram

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

HABANA, February 12, 1944—3 : 20 p. m.
[Received February 14—5 p. m.]

A–317. Reference Department's airgrams A–164, January 28, and A–177, January 31.[97] The Embassy today received a note from the Cuban Government agreeing to our price stabilization proposals, with the qualification that it may become necessary to increase the prices of California rice, charcoal and milk, but in a memo from the ORPA transmitted with the note it is stated that if this is necessary the

[96] Memorandum not printed (837.61351/4664). The points referred to and here omitted concerned details of shipping procedure and contract negotiation, and were formalized in the exchange of notes described in the bracketed note, *infra*.

[97] Neither printed.

increases will first be discussed with the appropriate agencies of the U. S. Government. The note will be transmitted by despatch.[99]

BRADEN

837.61351/4598

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

No. 2957 WASHINGTON, March 4, 1944.

SIR: The Department is concerned by the report in your despatch no. 5958 of February 8 [*11*], 1944,[1] and previous communications, of the continuing deterioration of the Cuban Government's price control and rationing system. In view of the prospects of large monetary returns to Cuba during 1944, and of the Cuban commitment to maintain, in so far as possible, an effective price control system, undertaken in connection with the 1943 and 1944 Sugar Purchase Agreements, this Government considers it wholly desirable to canvass the general situation.

With the probability that increasing funds will be available to the Cuban consumer public and with a restricted supply of consumer goods in Cuban markets, a growing pressure on price ceilings will inevitably result. It is the hope of this Government that you will be able, as a result of conversations with the Cuban Prime Minister or other appropriate officials, to effect a full realization of the importance of the problem with a resultant, realistic program to curb uncontrolled inflation.

The Department will, of course, be interested in receiving your reports of developments.

Sincerely yours, For the Secretary of State:
DEAN ACHESON

837.61351/4669

Memorandum by Mr. George F. Scherer of the Division of Caribbean and Central American Affairs [2]

[WASHINGTON,] March 16, 1944.

According to Habana's despatch no. 6297 of March 14 (advance copy attached)[1] the Cuban Minister of State [3] has proposed an exchange of notes between the two Governments in connection with the

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[99] Note No. 363 with attached ORPA memorandum of February 4, transmitted to the Department in despatch 5982 of February 14; none printed.

[1] Not printed.

[2] Addressed to John M. Cabot, Assistant Chief, Division of Caribbean and Central American Affairs; Philip W. Bonsal, Deputy Director, Office of American Republic Affairs; and Courtney C. Brown, Adviser, Supply and Resources Division.

[3] Presumably Jorge Mañach y Roberto, who was appointed on March 7 to succeed Emeterio S. Santovenia.

signing of the molasses–alcohol contract. The Embassy correctly replied in a preliminary way that the contents of the Cuban note [4] were beyond the scope of the negotiations concluded in Habana.

The Embassy thereupon submitted the proposal to Washington for consideration.

The principal point advanced by the Cuban Government is a firm commitment by this Government to "adopt at the earliest possible moment appropriate measures to regulate the importation of shipments of beverage alcohol and spiritous liquors from foreign countries and United States territories and possessions" on the basis of 1943 shipments. It is recalled that the United States Commission agreed to "recommend" the establishment of such controls and it does not yet appear possible to agree to the Cuban position.

The second point of difference is a Cuban request that "the supply by Cuba of said molasses and alcohol will not result in the release of domestic alcohol of the United States . . .[5] in order to use it in the manufacture of beverage alcohol or spiritous liquors", which, if accepted, would in effect mean commitment by this Government not to permit a distillers holiday to make beverage alcohol.

In the third place, the Cubans ask this Government to facilitate the supplying of chemical products necessary for the production of beverage alcohol and its transportation in Cuba. I gather from the files that a commitment was made [6] to facilitate the supplying of bottles and chemicals products required for packaging and distribution only.

FEA will, of course, have primary responsibility for replying to the Cuban Government. I am arranging distribution of the despatch as soon as hectograph copies are available, and I plan to keep in touch with the various agencies as to the reply to be made to our Embassy at Habana and to the Cuban Embassy's memorandum of March 15.[7]

103.9169 Habana : Telegram

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

WASHINGTON, March 18, 1944—8 p. m.

244. From Crowley and Scheuer, FEA, and the Department. Reference your telegram 273, and dispatch No. 6297, March 14.[8] FEA and the Department are in full accord with the view expressed by

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[4] Note dated March 7, not printed.
[5] Omission indicated in the original memorandum.
[6] In the American Embassy's note No. 112, February 12, 1944, to the Cuban Minister of State; note not printed, but see bracketed note, p. 929.
[7] Not printed.
[8] Neither printed.

you that the exchange of notes proposed by the Cuban Government goes far beyond the agreements reached in Havana and would be unwarranted and unjustified besides having the tendency of reopening negotiations successfully concluded. In addition, the attempt to commit future action with respect to the domestic economy of the United States to proposed limitations cannot be countenanced in the light of the Congressional and press attitude resulting from the suspicion that such commitment has been made. In this connection, the Cubans should bear in mind that the quota agreed upon with them for Cuba gives them the advantage of equaling their highest year's shipment, the size of which resulted directly from the action of the United States in preventing domestic production of whiskies and gins.

In the light of the above considerations, the Embassy is instructed that the position of this Government is fully covered by the exchange of notes dated February 12 and the Embassy's supplementary memorandum of February 16.[10] No further exchange of notes on this subject is authorized except as was indicated by the final paragraph of the memorandum of February 16.[11]

HULL

837.61351/4674 : Telegram

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

HABANA, March 21, 1944—9 p. m.
[Received March 22—12 : 10 a. m.]

294. I have handed a personal letter to the new Prime Minister Alliegro embodying the instructions contained in the Department's telegram No. 244 of March 18, 8 p. m., and explaining why we are unable to effect the exchange of notes sought by former Prime Minister Zaydín (who was present at my meeting with Alliegro together with Minister of State Mañach). I furthermore expressed the opinion that it is now urgently desirable that we proceed forthwith [to] the signature of the contract having in mind recent publicity emanating from Washington and New York alleging that the treatment accorded Cuba thereby is "too generous". I also emphasized the reasons why we cannot make commitments beyond those contained in our note of February 12 and memorandum of February 16.

The Prime Minister asked his predecessor for advice but the latter emphasized that he had washed his hands of the whole matter which was now his successor's problem. Thereupon Alliegro and the Min-

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[10] See bracketed note, p. 929.

[11] Reference is to the closing sentence, which reads: "It [the United States Government] is further disposed to assure the Cuban Government by an exchange of notes that, in accordance with the spirit of the agreement reached, the blackstrap molasses and industrial alcohol made available by Cuba to the United States will be destined for industrial purposes." (837.6151/4664)

ister of State promised to make an urgent study of the present situation and to advise me promptly of the Government's decision.

BRADEN

837.5018/82a : Telegram

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

WASHINGTON, March 29, 1944—1 p. m.

276. The following is a press release to be made available by War Food Administration for publication in morning papers tomorrow, March 30. It is appropriate that it be made available to Cuban papers for publication at same time. The rate of wheat-flour export payment will probably be announced tomorrow afternoon but it does not form a part of the press release.

"Flour Export Program for Cuba Announced

In compliance with an agreement made several months ago by the terms of which the Cuban Government agreed to sell to the United States the exportable surplus of the 1944 Cuban sugar crop at a specified price, the War Food Administration today announced a program designed to stabilize the price of flour shipped to that country from the United States for the remainder of 1944.

The program involves the absorption of certain losses in connection with the delivery of flour at specified prices and payments will be made to exporters of flour manufactured from wheat produced in the United States.

Unlike previous flour export programs which were developed to encourage and maintain foreign markets for United States wheat products the new program is intended specifically to fulfill a commercial agreement. For that reason it will not apply to any country other than Cuba.

From time to time the WFA's Distribution will announce the rate of payment to exporters, the time in which the flour must be shipped from the mill and exported and the total quantity which may be sold during the effective period of the announced rate. The rate of payment to be made will be that in effect on the date of the sale of flour.

Under the 1944 program, sales of flour to a Cuban buyer will not be approved until sales by any exporter to the same buyer under the 1943 program have been liquidated. Therefore, the exporter will be required to include in his notices of sale the name and address of each foreign buyer. The exporter must also await notice that the sale has been accepted before giving confirmation to his buyer.

A quantity of flour remains for export to Cuba from sales made under the 1943 Wheat Flour Export Program prior to its termination on June 30, 1943. Exporters may obtain a time extension for shipment of such flour by making application to an agent of the Food Administrator. However, extensions will not be granted to a date later than December 31, 1944, and claims must be filed by February 28, 1945. There will be no extension of time for exportation under either program beyond December 31, 1944.

To assist exporters in shipping the balance of flour sold to countries other than Cuba under the 1943 program, reasonable time extensions will be granted beyond March 31, 1944, but not later than December 31, 1944. This flour is urgently needed for consumption in the countries where it was sold. Exportation has been prevented by heavy military demands on available shipping space."

HULL

811.20 Defense (M)/15594 : Telegram

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

HABANA, April 1, 1944—noon.
[Received 3 : 06 p. m.]

342. For Scheuer FEA. Supplementing my telegram No. 337, March 31, 3 p. m.[13] I am glad to report that the molasses contract was signed this morning. The Prime Minister in a brief address stressed his Government's gratification over the successful and satisfactory outcome of the negotiations. No mention was made of any additional exchange of notes.

One copy each of the contract in English and Spanish will be forwarded by courier today.[14]

BRADEN

837.61/108

Memorandum by Mr. George F. Scherer of the Division of Caribbean and Central American Affairs [15]

[WASHINGTON,] April 10, 1944.

CUBAN AGRICULTURAL DIVERSIFICATION

Summary: The impetus given to Cuban agricultural diversification in 1943 by the combined efforts of the United States and Cuban Governments resulted in a substantial advance last year with prospects that the momentum will continue this year, in spite of one of Cuba's largest sugar crops.

UNITED STATES GOVERNMENT ASSISTANCE

Last year in connection with the purchase of Cuban sugar, this Government undertook to assist Cuba in diversification of its agriculture by the purchase of exportable surpluses of peanuts, corn, beans and rice, and by sending new farm machinery (unfortunately not put

[13] Not printed.
[14] A signed copy of the molasses contract was transmitted to the Department in despatch 6500, April 1, 1944, from Habana (not printed).
[15] Addressed to John M. Cabot, Acting Chief, Division of Caribbean and Central American Affairs, and Laurence Duggan, Director of the Office of American Republic Affairs.

to use last year).[16] Growers were assured a favorable market through our offer to purchase exportable surpluses, and these offers stand open until July 1, 1945.

CUBAN RESPONSE

The Cuban Government assisted in diversification last year by vigorous campaigning throughout the Island, by making its customary seed distribution and by continuing the decree requiring a part of sugar properties to be devoted to other food crops. Six refrigerated warehouses and certain irrigation projects were planned and approved in connection with the Export-Import Bank credit, but they are going forward slowly.

Obstacles to continuing diversification (in addition to a tendency to concentrate on sugar when Cuba's crop is large) include shortages of fuel for tractors and trucks, of fertilizer and of farm equipment.

The following specific results have been obtained:

[Here follows a listing of the results of the 1943 diversification effort in Cuba showing substantial production increases in corn, peanuts, peanut oil, rice, tobacco, coffee, loofa sponges (a new product), beets, and sweet potatoes.]

837.24/2547

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

No. 6685 HABANA, April 21, 1944.

SIR: I have the honor to transmit a letter[17] from the Cuban Minister of Agriculture[18] concerning the need for additional farm machinery for diversifying Cuban agriculture and increasing the production of food products for the war effort. The Minister requests 100 tractors with disk plows and harrows in addition to planting and threshing machinery and an increased allocation of two million gallons of gas-oil. He suggests that the machinery be supplied through the Export-Import Bank loan on a similar basis to that supplied to Cuba in 1943.

The Embassy has informed the Minister that his request has been transmitted to the Department for further consideration, but that due to the general shortage of this type of equipment in the United States, the possibility of obtaining quantities in addition to Cuba's regular allocation is not very promising at this time.

In view of the extremely poor results obtained from the 43 tractors and other equipment supplied to the Cuban Government in 1943, the Embassy repeats its former recommendation that if additional equipment is available to Cuba it be supplied through the regular trade

[16] For details of U. S. assistance to Cuba's agricultural diversification program in 1943, see *Foreign Relations*, 1943, vol. VI, pp. 223 ff.

[17] Letter of April 8, not printed.

[18] Carlos F. de Armenteros.

channels after consultation with the Embassy. (See Embassy despatches No. 5034, November 5, 1943,[19] No. 5111, November 11,[20] and airgram A–2474, December 15 [*14*].[19])

With reference to the request for an increased allocation of gas-oil allegedly for use in connection with these tractors, I am strongly opposed to the granting of extra quotas of such light petroleum products in view of the seriousness of the supply situation as set forth in the Department's airgram A–475 of March 21, 1944; [19] and because of Cuba's unjustified procrastination and reluctance to take the necessary steps to avail itself of the six million gallons of gas-oil that could be furnished to Cuba in accordance with the gasoline-gas-oil exchange proposed by Cuba and approved in the Department's telegram No. 95 of February 2, 1944.[19] (In this connection see the Embassy's despatches Nos. 6478 and 5729, of March 30, and January 18, 1944, respectively.[21])

The Embassy has prepared a report (No. 1136 dated April 19, 1944 [19]) on the results of Cuba's food production program in 1943 and the prospects for 1944. This report provides additional information concerning the limited possibilities for increasing production and the use of additional agricultural equipment.

Respectfully yours,

For the Ambassador:
PAUL G. MINNEMAN
Agricultural Attaché

837.5018/6–2444 : Airgram

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

HABANA, June 24, 1944—11:55 a. m.
[Received June 27—8 a. m.]

A–1362. The situation with respect to Cuban price control (reference Department's instruction No. 3280 of June 6 [19]) has become most serious and complete breakdown appears imminent.

Dr. Carlos Diago, Acting Director of the ORPA, on June 22 submitted his resignation to the President. This action although specifically a protest against the method used in making certain import duty exemptions (see Embassy's A–1361, June 24 [22]) was motivated in general by Diago's conviction that effective price control was impossible without Government support. The President has not yet acted on the resignation. Although not considered a strong director, Diago

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[19] Not printed.
[20] *Foreign Relations*, 1943, vol. VI, p. 238.
[21] Neither printed.
[22] Airgram not printed.

is believed to be honest and sincere and therefore his resignation is a significant indication of the trend of affairs. Other responsible officials also are considering resignation because they are not permitted to work effectively.

Simultaneously, the Supreme Court decision declaring unconstitutional Articles 12, 17, and 18 of Decree-Law No. 5 (reported in Embassy's A–1352 of June 23 [23]) presumably has removed the authority of the ORPA to penalize violation of its price and rationing regulations. This fact today is becoming generally known and it is reported that courts are refusing to proceed with ORPA cases. This may mean the entire collapse of price control and rationing measures unless the Cuban Government can hastily establish other authority, which appears unlikely. The upward spiral of prices, already serious, is expected to intensify greatly next week, particularly for foodstuffs.

To complete the above evidences of collapse, ORPA officials confidentially report that several ORPA price resolutions, established to carry out their price commitments under the Cuban-United States stabilization understanding, are now being reviewed by the Prime Minister and will be annulled by the Economic War Board. Subjection of ORPA resolutions to such review would end all pretense of price control.

BRADEN

837.5018/6–2644

Memorandum by the Chief of the Division of Labor Relations (Mulliken)

Reference is made to the Cuban Embassy's Memorandum No. 430 of June 26, 1964 [23] requesting information regarding the wheat flour export program of the United States Department of Agriculture.

A program to encourage the exportation of wheat flour was first inaugurated on March 5, 1936 and made applicable only to exports to the Philippine Islands. On September 7, 1938 the export program was generalized and made applicable to all countries, including Cuba. In December 1941 upon the entry of the United States into the war the program was limited to countries of the Western Hemisphere and to those islands lying on or west of the 40th meridian w., and since July 1, 1943 a subsidy has been paid only on flour exported to Cuba. Requirements of wheat have increased to such an extent as a result of the war that an effort has been made throughout the past year to encourage importation rather than exportation.

The rates of payment made on exports of wheat flour have varied considerably, both from year to year and within each year. The highest and lowest rates offered on exports from gulf ports during the

[23] Not printed.

calendar years 1938 through 1943 are shown below, with rates in detail for the current year.

RANGE OF EXPORT PAYMENTS ON EXPORTS OF WHEAT FLOUR FROM GULF PORTS

Calendar year	*Dollars per barrel*	
1938	.30 to 1.05	
1939	.95 to 1.55	
1940	1.00 to 1.05	
1941	.90 to 1.35	
1942	1.25	
1943	1.60 to 2.00*	
1944	March 30,	2.50
	April 6,	2.90
	May 1,	0

No subsidy was offered on exports of wheat flour to Cuba between July 1, 1943 and March 30, 1944 when the current year's program was announced.[29] The initial rate offered proved too low to encourage exports and it was therefore increased to $2.90 per barrel to permit the export of sufficient quantities of flour to assure the maintenance of the price ceiling in Cuba. All export payments offered since July 1, 1943, when the general export program lapsed, have been for the sole purpose of maintaining the ceiling price in Cuba.

WASHINGTON, July 12, 1944.

837.61351/7–1744 : Airgram

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

WASHINGTON, July 17, 1944—2 p. m.

A–1195. Reference to the negotiations for the purchase of the 1945 and 1946 Cuban sugar crops. The War Food Administration has now informed the Department that it desires that the sugar negotiations be initiated in ample time to enable the Cuban producers to realize that in the event of satisfactory agreement on terms, there will be an assured market for a substantial part of their production during the next two years. They believe that this might encourage plantings so that in 1946 additional supplies, if needed, will be available from the Caribbean area.

Early in May of this year Mr. Earl B. Wilson, Director of the Sugar Division, Commodity Credit Corporation, was in Habana and discussed with members of the Embassy staff and with representatives of the Cuban Stabilization Institute the possibility of the early

*Rate to Cuba was $2.64 per barrel for the Period April 15–29. [Footnote in the original.]

[29] Announcement quoted in telegram 276, March 29, 1 p. m., to Habana, p. 933.

initiation of discussions in Washington for the purpose of completing a purchase and sale of the 1945 and 1946 crops. In view of the then pending elections, both the Embassy and the Institute doubted that a commission could be appointed to meet in Washington before midsummer. The War Food Administration feels that further delays will be unfortunate, and you are instructed, in your discretion, to extend an invitation to Cuba to send a commission to Washington so that negotiations can be commenced about August 15.

The negotiations will relate to the 1945 and 1946 Cuban sugar crops and include as well blackstrap, and possibly invert molasses and alcohol. Full details of requirements regarding blackstrap, invert molasses and alcohol have not been determined as yet, including the question of length of desirable procurement commitment.

HULL

837.61351/7–1844

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

No. 7454 HABANA, July 18, 1944.
[Received July 22.]

SIR: Supplementing the Embassy's secret air mail despatch No. 7024 of May 27, 1944 (File No. 861.35),[30] and previous correspondence in the matter, I have the honor to submit herewith a more detailed summary of the several points which I feel should, if possible, be covered in the forthcoming sugar crop sale negotiations and included in the resulting sales-purchase contract.

1. It is of the utmost importance, in order to avoid the difficulties which we encountered last year and early this year, that the purchase of sugar, blackstrap molasses, invert molasses and industrial alcohol be undertaken as a single negotiation, together with the establishment of whatever quota for beverage alcohol it may be decided to give Cuba for 1945.

2. If possible, the negotiations and the contract should cover the 1945 and 1946 Cuban sugar crops in order to afford greater stability to the Cuban sugar industry and to enable *colonos* to increase their cane plantings for 1946.

3. It is highly desirable that our purchase of the 1945, and possibly 1946, crop be on a real f.o.b. (free on board) basis and not, as at present, on what is actually an f.a.s. (free alongside ship) basis. This is especially important in view of the increasing tendency on the part of the Cuban Government indiscriminately to increase wages for all kinds of work without regard to the inflationary effects of these wage increases. Should, contrary to the very strong recommendation of this Embassy—supported by the representatives here of the War Shipping Administration, the Defense Supplies Corporation and the Commodity Credit Corporation—the interested agencies of our Government decide that they cannot insist on a delivered-on-board basis,

[30] Not printed.

then instead of an exchange of notes similar to that entered into with regard to the 1944 crop (which might appear to involve our Government in the fixing of wages in Cuba) some clause should be inserted in the contract to the effect that the price or prices agreed upon are based on wage rates, handling charges, et cetera, in effect on, for instance, January 1, 1944, and that any increase in these wages, charges, et cetera, whether the result of official or private action, will be for the expense of the seller. This latter clause should, the Embassy feels, be inserted in the contract in any event.

4. In view of the breakdown of Cuba's price control measures and the probable denouncement by our Government of the Price Stabilization Agreement as a result of the recent Cuban bread price increase, the adoption of a new Stabilization Agreement might be considered provided the Cuban Government can successfully demonstrate its willingness and ability to hold the line on prices and to reverse the inflationary spiral. (See Embassy's despatch No. 7406 of July 13, 1944.[32] A new Stabilization Agreement would constitute an additional bargaining point for our negotiators and should prove helpful in enabling them to induce the Cubans to accept the present sugar price. To avoid the misunderstandings which developed during each of the past two years with respect to the Price Stabilization commitments, however, it is recommended that any commitments this year be undertaken only after consultation with the Embassy regarding their practicability.

5. The 1944 molasses contract does not permit the DSC or WSA to stipulate the ports at which the invert molasses is to be loaded. While the submarine menace has, of course, lessened, the possibility of a return of submarines will not be entirely removed until Germany is defeated, so that some clause should be inserted in the next contract permitting one of the two agencies mentioned to designate molasses delivery ports. In addition, provision should be made for a 30-day advance delivery notice to DSC to enable WSA to make arrangements for tanker schedules to avoid ditching, which under the present contract is for DSC's account. A clause requiring periodic notice of molasses available to DSC should also be included.

6. Adequate assurances should be obtained from the Cuban Government that no change will be made in the sugar legislation of Cuba for the 1945 and possibly 1946 crops and that the distribution of production will be based on the existing system of quota allocations.

As mentioned in the Department's memorandum of May 12, 1944, a copy of which was attached to the Department's secret air mail despatch No. 3229 of May 22, 1944,[33] all contemplated notes bearing on the sugar negotiations should be signed, sealed and exchanged before the agreement can be considered concluded and the contract signed so as to avoid a repetition of the delays and difficulties experienced last year.

Respectfully yours, SPRUILLE BRADEN

[32] Not printed.
[33] Neither printed.

811.20 Defense (M)/6–1644

The Secretary of State to the Cuban Chargé (Barón)

WASHINGTON, August 3, 1944.

SIR: The question of the interpretation of the agreement between our two Governments concerning alcohol and molasses, which was raised in the Ambassador's note no. 399 of June 16,[34] has been examined and has been discussed with officials of the War Production Board.

The War Production Board was endeavoring to limit "general imports" of Cuban beverage cane spirits into the United States to 14,300,000 proof gallons for 1944 while, as the Ambassador pointed out, the agreement provided that this quantity might be shipped from Cuba during the year.

The War Production Board announced on June 22 that it was prepared to issue import authorizations which would permit general imports of beverage cane spirits from Cuba into the United States during 1944 to a total amount of 17,875,000 proof gallons. This amount will be adequate to permit shipments from Cuba to amount to the 14,300,000 proof gallons, plus an additional amount which is justified by the slight reduction which has occurred recently in the estimated quantity of industrial alcohol which will be needed for the war program.

Accept [etc.] For the Secretary of State:
DEAN ACHESON

837.61351/8–2844: Telegram

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

WASHINGTON, August 28, 1944—8 p. m.

704. At the first meeting with Cuban Sugar Commission, afternoon of August 28, Mr. Wilson, CCC, stressed the excellent cooperation of the Cuban Sugar Institute, the hope that these negotiations will cover the last global sugar sale between the two Governments, and the basic nature of this Government's policy in maintaining the present sugar ceiling price.

A United States proposal,[35] along the lines of the enclosure to instruction no. 4412 of August 26,[34] will be submitted to the Cuban Delegation on August 29.

HULL

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[34] Not printed.

[35] The United States proposal (not printed), offering to purchase Cuba's 1945 and 1946 sugar crops at a basic price of 2.65 cents per pound f.a.s., with an escalator clause to protect Cuba from higher costs of production, was handed to the Cuban delegation on August 29.

837.61351/9–144 : Telegram

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

WASHINGTON, September 1, 1944—7 p. m.

713. Cuban proposal of August 30 (instruction no. 4425 of September 1) [37] calling for 5-year purchase of Cuban sugar crops by the United States at about 3.55 cents per pound was rejected at the morning meeting of the two commissions on September 1.

After a separate discussion, the Cuban Delegation expressed its regret at this decision and indicated it would be ready to discuss the original United States proposal provided it could receive word as to possible United States interest in the purchase of the 1945 crop only. The United States Delegation is replying that it would consider either a 1945 crop purchase or a 1945–1946 crop purchase.

The afternoon of September 4 has been set for the next meeting of the two Delegations.

HULL

837.61351/9–644

Memorandum of Conversation, by the Assistant Chief of the Division of Caribbean and Central American Affairs (Scherer)

[Extracts]

[WASHINGTON,] September 6, 1944.

Participants:

CUBAN DELEGATION	UNITED STATES DELEGATION
Oscar Seiglie [38]	*Commodity Credit Corporation*
Arturo Mañas	Earl B. Wilson
Senator José Casanova	Russell Burchard
Federico Fernández Casas	Nelson Norregaard
Teodoro Santiesteban	James Marshall
Gaston Godoy	*War Food Administration*
Amado Aréchaga	Joshua Bernhardt
Manuel Rasco	Gustave Burmeister
	Alan Brannan
	Defense Supplies Corporation
	Samuel H. Sabin
	Foreign Economic Admin.
	Clarence Blau
	Department of State
	Colonel Everett Cook
	George F. Scherer

[37] Neither printed; the Cuban proposal referred directly to the United States sugar proposal of August 29, and expressed a desire to defer discussion on alcohol and on invert and blackstrap molasses until the close of negotiations on sugar (837.61351/9–144).

[38] Oscar Seiglie y Martínez, Personal Representative of President-elect Grau San Martín and Chairman of the Delegation.

Before meeting with the Cuban Delegation during afternoon of September 5, the American representatives reviewed the Cuban Memorandum of September 4,[39] the principal points of which included:

(1) Unrestricted crops in 1945 and 1946 in Cuba, with 225,000 to 250,000 long tons reserved for Cuban local consumption and not more than 250,000 long tons of free sugar for each year.
(2) Price of 3.40 cents per pound with an escalator clause to increase the Cuban price by the amount of benefit payments to United States growers or processors.
(3) All stevedoring, loading and port expenses to be for the account of Commodity.
(4) Price stabilization program—an exchange of notes is to be made, assuring price stabilization for rice, lard and wheat flour for 1945 and 1946, similar to the one in effect for 1943 and 1944.

Mr. Wilson mentioned to the Cuban Delegation that he had been unable to prepare a formal reply memorandum to the Cuban proposal of September 4 but that he was ready to make certain oral comments, knowing that the Cuban Delegation was interested in proceeding to New York urgently and returning to Washington on September 9. Mr. Wilson stated that frankly he was disappointed in the Cuban Memorandum, that it did not provide a basis for further discussions, and indeed, if 3.40 cents were the Cuban low limit there would be no purpose of continuing discussions.

. . . . . .

In reply to Mr. Wilson's comment on price and on the inability of this Government to admit Cuban sugar duty-free, Dr. Mañas replied that the basis of the Cuban price of 3.40 cents was the present price plus the difference between the subsidy to beet growers of 90 cents less 15 cents paid by this Government in extra expenses of handling Cuban sugar. If the United States has a counter-proposal to the price of 3.40 cents, the Cuban Delegation would be glad to receive it, stated Dr. Mañas. However, if the price were no more than 2.65 there would be no use to continue negotiations.

Mr. Wilson expressed the belief that the United States Commission can offer a proposal, the terms of which will give Cuba an adequate return, but a very substantial and considerable reduction would have to be made from the 3.40 cent price.

The Cuban Delegation stated that the 3.40 cent price is not inflexible but that any "tremendous" reduction in price below it, which would be "tantamount" to 2.65 would be unacceptable to the Cubans.

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[39] Memorandum by the Cuban delegation, not printed; a copy was transmitted to Habana in Department's instruction 4444 of September 7, 1944, not printed.

837.61351/9–1344

Memorandum of Conversation, by the Assistant Chief of the Division of Caribbean and Central American Affairs (Scherer)

[WASHINGTON,] September 13, 1944.

At the meeting of September 13 [40] Mr. Wilson presented a Memorandum of the same date [41] offering to purchase the 1945 Cuban crop at 2.75 cents per pound or the 1945 and 1946 crops at 2.65 cents. In addition, local consumption was to be raised to 250,000 short tons per year and 25,000 short tons to be released by Commodity for 1944 Cuban local consumption. Blackstrap molasses was to be sold at the same price as in 1944.

Dr. Seiglie expressed disappointment at the proposal, indicating that a 2.75 cent price is tantamount to 2.65. He regretted that Cuba could not accept the new proposal and hoped that the two Governments can get together in the future. Mr. Wilson replied to the effect that an additional income of from $8,000,000 to $10,000,000, which a 10-point increase would mean, could hardly be considered as equal to the former return. He spoke of the inflationary pressure in Cuba that would be caused by a higher price and also stated that supply prospects for additional sugar in the future are favorable.

Dr. Seiglie reviewed the position of sugar in Cuban economic history, pointing out that 10 lean years of losses and a few years of profits did not signify that Cuba has had an easy time. Costs have risen and it would actually be impossible to produce the 1945 crop at a profit with the price at 2.75 cents. Indeed, Dr. Seiglie intimated that Dr. Grau's Government,[42] which he represents in the negotiations, must give an increase in wages to meet higher costs of living, even though the Batista Government had already boosted salaries.

Mr. Godoy also pointed out that the price of 2.75 would not permit the *Colonos* to operate at a profit.

An attempt was made by Mr. Wilson to divert the discussions into consideration of price stabilization assistance by the United States Government which would help Cuba maintain a competitive position in the post-war sugar market. Dr. Mañas stated the Cuban Delegation would be ready to discuss price stabilization only with the understanding that a higher price would be in line.

The Cuban position on price is elastic but it would include a satisfactory safety clause, price stabilization, and other features. When asked how low Cuba would be willing to go in price, Dr. Mañas replied

[40] The list of participants in this meeting differs from that of the September 5 conversation (memorandum of September 6, *supra*) by the substitution of Oscar Albertini for José Casanova, and the addition of E. M. Shulman of the War Food Administration and Carl Gibboney of the Foreign Economic Administration.

[41] Not printed.

[42] Ramón Grau San Martín was elected President of Cuba on June 2, 1944, and took office October 10, 1944.

the Delegation would consider an offer of 3.30 cents for two crops. Dr. Seiglie said he would present a memorandum tomorrow. Mr. Wilson mentioned the United States Delegation would be glad to review it. Another suggestion for a joint press release was deferred for later discussion.

It was evident, in part, that the Cuban Delegation was disposed to delay its return to Cuba, although there is as yet no common meeting ground for price.

837.61351/9–2144 : Telegram

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

HABANA, September 21, 1944—5 p. m.
[Received 9 : 18 p. m.]

840. In conversation with Grau and Belt [43] this noon, I outlined status of sugar negotiations, emphasizing our willingness, as confidentially described to President-elect by Wilson and me on September 7, to go only as high as $2.75 [*2.75 cents*], on price. I furthermore suggested that negotiations be recessed, with the joint statement by both missions that, in view of difficulties encountered, each wished to consult with their respective governments before resuming negotiations, which, I added, should be after October 10.

Grau made no comment on price but entirely concurred as to wisdom of deferring negotiations until after his inauguration and in my presence instructed Belt to inform Seiglie accordingly and to suggest that latter return to Habana to discuss the situation.

BRADEN

837.5018/10–2744

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

No. 4606 WASHINGTON, October 27, 1944.

The Secretary of State transmits for the immediate and confidential consideration of the Embassy a copy of a memorandum [44] relating to the possible inclusion of a price stabilization agreement in the prospective sugar purchase from Cuba. The memorandum was prepared by an official of the Foreign Economic Administration at the instance of the Department.

The agencies of this Government especially concerned with the sugar and molasses negotiations have reviewed the memorandum carefully and have reached the conclusion that it would be desirable, from many viewpoints, to avoid in the sugar agreement any commitment to stabilize certain prices in Cuba, [such] as [the commitments] in the

[43] Guillermo Belt, Cuban Minister without Portfolio.
[44] Not printed; file copy unsigned and undated.

past two purchase agreements. However, it may become impossible in the course of the negotiations to avoid such a commitment. In any case the Department and the other agencies would appreciate receipt of your comments by urgent airgram or telegram, on the memorandum and on the general price control situation.

If price stabilization program is undertaken, the interested agencies are likely to recommend that no special wheat flour subsidy be made available to Cuba beyond the proposed subsidy that would be available to all friendly countries, which is scheduled for announcement in two to three weeks. According to the calculations in the wheat flour section of the enclosed memorandum, the third formula indicates that the application of the proposed general subsidy to Cuban imports would apparently make possible the maintenance of the present 12-cent price of bread.

837.61351/10–3044

Memorandum of Conversation, by the Assistant Chief of the Division of Caribbean and Central American Affairs (Scherer) [45]

[WASHINGTON,] October 30, 1944.

Sugar negotiations were resumed on October 30. United States Commission [46] asked whether August 2 Resolution of Hacendados Association (authorizing acceptance of 3.25 cents price or higher) is still binding. Cuban commissioners [47] stated that Commission has full powers to negotiate although agreement will require clearance by Cuban Government which consults *Hacendados* and *Colonos*. In any case when Commission agrees definitively to a proposal here it will have authority to accept and it will be binding. Dr. Mañas stated that it may be desirable to have the *Hacendados* Resolution amended during course of negotiations.

1. *Length of Purchase*

In reply to an inquiry whether Cuba would be interested in the sale of the 1945 crop alone, in view of recent developments indicating a more favorable supply picture in Western Europe and perhaps in the Philippine Islands the Cuban Commission stated its entire posi-

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[45] Copy transmitted to Habana in Department's instruction 4614, November 1, 1944, not printed.

[46] The Commission was composed, at this meeting, of the same delegates present at the meeting of September 5 (memorandum of September 6, p. 942) except for the substitution of A. A. Greenwood of the War Food Administration for Alan Brannan, the addition of Carl Gibboney and Oregon Helfrich as representatives of the Foreign Economic Administration, the addition of Francis A. Linville of the Department of State, and the absence of Nelson Norregaard of the Commodity Credit Corporation.

[47] The Cuban Commission at this meeting was composed of the same delegates that attended the meeting of September 5 except for the absence of Teodoro Santiesteban.

tion would have to be revised and a "substantially higher" price than 3.30 cents obtained if the 1945 crop only were sold.

The Cuban Commission seeks stability for the sugar industry and would prefer a two or three year contract, the former being entirely acceptable.

2. *Escalator Clause*

Mr. Wilson pointed out that it does not seem consistent to have included in the contract both an escalator clause based on a United States price index and also a price stabilization program by which this Government would be obligated to maintain landed prices in Cuba on certain exports.

Mr. Wilson explained that both appeared to cover somewhat the same ground in that Cuba would receive through an increased sugar price the benefit of an increase in index in this country and at the same time this Government would be obligated to fixed prices on certain exports to Cuba.

Dr. Mañas said that the Cuban Commission considers the United States position valid, and he suggested that the same type of relief be provided that was included last year in the contract. If Cuba benefited by an increase in the sugar price last year, the United States Government was also entitled to proportionate relief in prices on wheat flour, hog lard and rice. Dr. Mañas indicated that Cuba hopes to receive the benefit of an increase in price if any of the following three have an increase:

1. United States ceiling price,
2. General price index (nature to be decided later),
3. Puerto Rican subsidy.

Mr. Wilson stated that he wished to make known to the Cubans that this Government plans to increase somewhat the present Puerto Rican and Hawaiian subsidies although the amount is not yet known. Dr. Mañas stated that the Cubans feel they should receive the same return as Puerto Rico, but Mr. Wilson indicated that the Puerto Rican position will not be included in an escalator clause.

3. "*Free Sugar*"

Mr. Wilson reviewed his previous considerations in connection with the need for omitting free sugar from the present contract, emphasizing that the nations which are receiving Cuban sugar are under heavy ration control and that American Republics requesting sugar are enjoying war prosperity.

In presenting the Cuban position Dr. Mañas indicated that the Cuban Commission "must insist" on a certain amount of free sugar. In addition to the previous points brought out by the Cuban Delega-

tion, new consideration was added, namely, that Cuba wishes to provide the American areas with sugar in order to keep the Governments of these countries from encouraging sugar expansion. This is a real possibility, according to the Cuban Commission. For instance, Mexico was ready to import from Fulton of St. Louis an entire sugar producing plant but delayed the purchase pending the outcome of the Mexican Government's offer for 100,000 tons of Cuban sugar.

The Cuban Commission indicated that it wants to receive 175,000 tons which it will sell at reasonable prices and which the Institute is ready to guarantee will not get into speculators' hands. Sales of this sugar will be made on an entirely government to government basis.

837.61351/10–3144 : Telegram

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

HABANA, October 31, 1944—6 p. m.
[Received 9 : 15 p. m.]

957. I cannot too strongly urge that price stabilization be continued to support Cuba's new administration and to prevent adverse political repercussions. Proximity of Cuba and large trade with United States increases importance of controlling inflation here. Moreover, inflation control was emphasized in all Washington discussions with President Grau and our wholehearted aid was offered. Cuba is now making intensive and honest efforts to reduce food prices and for United States to abandon aid now, as suggested in RD memorandum [48] attached to Department's instruction 4606 of October 27, might seriously embarrass Grau. (See Embassy's report 1410 of October 30, 1944 [48]).

Wheat flour subsidy now particularly important in view of recent Cuban bread price reduction to 10 cents at bakeries. Additional subsidy to maintain this price apparently equals $2.75 million a year and without it bread price rise to 11 cents would be necessary. No rice subsidy required if Cuba raises short-grain ceiling price to 11 cents as we earlier agreed and if supplementary South American imports are necessary at higher prices, Cuba could subsidize. There is no problem of lard price or subsidy; quantity commitment should be global depending on possible imports from other sources. I note no reference to proposed cotton subsidy. Any stabilization agreement should cover Cuban domestic products as well. Further details by air mail.

BRADEN

[48] Not printed.

837.61351/10–244 : Telegram

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

[Extract]

WASHINGTON, November 3, 1944—7 p. m.

853. . . .

. . . . . .

After a careful review of the possibilities in CCC and the Department, the following course of action has been planned. Efforts will be made to reach an agreement with the Cubans on all of the minor details of the contract as well as on molasses and alcohol before any further reference is made to the sugar price or to free sugar. Thereupon, the U.S. Delegation plans to present its entire proposal with a top price at 3.00 cents per pound, including a limited amount of sugar to be sold by the Institute to approved buyers after consultation with CCC. At that time the Cuban Commission will be received by Mr. Hutson, President of CCC, who will state that the proposal represents the limit to which this Government can be committed. It is assumed that Seiglie and Casanova, if not other delegates, would return forthwith to Habana to obtain the views of Grau and of the sugar industry groups.

Bartes' comment on "very confused situation pending results of election" is incorrect. Interest in pending elections has no bearing whatsoever on the negotiations.

Interested officials have been apprised of Grau's attitude of collaboration and have indicated appreciation and a desire to meet the situation in the same spirit.

The foregoing is being transmitted for your own personal and confidential information and for such discreet use as will, in your opinion, facilitate the successful conclusion of the negotiations along the above lines. Your comments will be appreciated.

STETTINIUS

837.5018/11–944

The Chief of the War Supply and Resources Division (Brown) to Mr. T. B. King, War Food Administration

WASHINGTON, November 9, 1944.

DEAR MR. KING: As you are aware, the terms of the Stabilization Agreement entered into with Cuba in conjunction with the existing contract for the 1944 Cuban sugar crop were suspended in July pending an adjustment of the situation made necessary by the increase of Cuban bread prices by two cents a pound from ten cents to twelve cents. You will recall that this Government indicated in July that

it stood ready to reinstitute the export payments for the duration of the present Stabilization Agreement if the Cuban Government should determine it desirable to take the measures necessary to control prices in fact. Our Embassy in Habana now reports that the Cuban Government has published a decree reducing the price of bread sold direct to consumers at bakeries to ten cents a pound. The new price of ten cents, according to the report of our Embassy, will be applicable to by far the greater portion of the bread consumed in Cuba and represents an energetic step on the part of the Cuban Government to control the inflationary tendencies in food products.

In view of this, our Embassy recommends that the United States announce export payments as soon as possible on an additional 300,000 bags of wheat flour of 100 pounds each requested by Cuba. The Embassy further indicates that Cuban flour supply situation is becoming increasingly difficult and strongly urges arrangement for early shipments. The Department concurs in the Embassy's recommendation and trusts that the War Food Administration is in a position to announce export payments pursuant to the 1944 Stabilization Agreement on 300,000 bags of wheat flour of 100 pounds each.

Sincerely yours, COURTNEY C. BROWN

837.5018/11-644 : Telegram

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

WASHINGTON, November 13, 1944—noon.

876. Upon suggestion of Department and your strong recommendations in 990 of November 6, 950 of October 27 [50] and previous communications, the War Food Administration is releasing to the press on November 13 the following:

"Cuba to Get More US Flour

To complete a commitment made by the United States Government to supply Cuba with sufficient US wheat flour to meet 1944 requirements, the War Food Administration will make payments to exporters on 300,000 bags (100 pounds each) for shipment during the remainder of the year.

The rate of payment and other provisions of the program will be released at 2 p. m. EWT [51] on November 17. The payments will be made to effectuate a price stabilization agreement between the United States and Cuba.

The 300,000 bags of flour will be allocated among exporters on a basis of the quantity each sold for export to Cuba under special programs in 1943 and 1944."

STETTINIUS

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[50] Neither printed.
[51] Eastern War Time.

837.61351/11–1444 : Telegram

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

WASHINGTON, November 14, 1944—8 p. m.

884. At meeting November 13 with Cuban Commission FEA representatives outlined following molasses and alcohol proposal which paralleled closely August offer: United States purchase of 80 million gallons blackstrap molasses at 13.6 cents per gallon and 12.5 million gallons of industrial alcohol at 50 cents per gallon leaving 85 million and 25 million gallons available for *carburante*, etc. and beverage use respectively. Offer is for 1945 production only.

FEA emphasized easing in molasses situation owing to heavy United States grain production and desirability, from Cuban economic viewpoint, of rapid adjustment of blackstrap price to position in postwar world in competition with grains and petroleum for alcohol production.

Cubans made no comment on molasses and alcohol proposal but reviewed informally (without submitting written memorandum) sugar proposal presented by CCC on November 11.[52] Principal points of disagreement were: (1) Price of 3 cents not acceptable; (2) 1946 sale to be 5.25 million short tons, equalling CCC's 1945 limit (instead of 3 million); (3) quantities for local consumption and export sugar to be in long tons instead of short tons; (4) Puerto Rican price (including subsidy) not accepted as ceiling on Cuban price; (5) CCC to continue paying for unusual movement of sugar within Cuba; and (6) Exchange of notes on maintenance of stevedoring wages requested as previously.

Members of the United States delegation then reviewed course of negotiations mentioning the substantial concessions made by United States such as 35 point price increase, use of cost of living index, increase in local consumption quantity, stabilization at present prices, and free or export sugar. The only Cuban concession appeared to be a price reduction from 3.40 to 3.25 and the Cuban attitude on the Resolution made negotiating extremely difficult. In the absence of any indication of compromises by the Cubans, Mr. Wilson stated there seems to be no need for further discussions.

Dr. Mañas stated that the commission is not bound by the Hacendados Resolution and indeed that the Hacendado members of the Cuban Commission had authorized Dr. Seiglie to offer a price of 3.15 if it were certain to be accepted by the United States, and this had been mentioned to Mr. Wilson.

Dr. Seiglie indicated he plans to have the Commission return at once to Habana for a brief recess, since they have got out of touch

[52] The proposal referred to is a memorandum, submitted by the American Commission to the Cuban Commission on November 11, 1944, which included certain compromises worked out by the two Commissions (837.61351/11–2544).

with Cuba. The recess should not by any means be considered a breaking of negotiations, said Seiglie. He is positive an agreement will be reached, but his group must return to Cuba for consultation and consideration of the United States proposal.

Mr. Wilson pointed out that it might be possible to compromise in a few minor points but that our proposed price, our views on Puerto Rico as a ceiling, and our inability to assume increased stevedoring costs are final.

Señor Santiesteban, on behalf of the *Colonos*, suggested the possibility of a purchase of an overall total of sugar from both the 1945 and 1946 crops.

On November 14 the Cuban Commission proposed that an overall total of 9,250,000 short tons of sugar be sold from both crops (total 1945 crop is estimated at 4.4 million short tons).

The United States Commission viewpoint of using Caribbean possession (Puerto Rican) price as a limit on the Cuban price was accepted by the Cubans.

Further discussion ensued concerning the cost of moving sugar within Cuba and of a possible increase on stevedoring wages.

Although the United States Commission reiterated flatly that this Government could accept no price over 3.00 cents, Dr. Mañas stated, on behalf of the *Hacendado* delegates, that they can accept nothing below 3.15 cents. Señor Santiesteban also stated, for the *Colonos*, that certain factors in the proposal would require him to recommend its rejection to the *Colonos* Assembly on November 21, no matter what the price may be.

Members of the Cuban Commission plan to leave on November 14 and 15. Dr. Seiglie will present his views to his Government. Meanwhile United States Commission will discuss overall purchase of both crops and other points in dispute.

STETTINIUS

837.61351/11–1744 : Telegram

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

WASHINGTON, November 17, 1944—7 p. m.

889. With reference to current negotiations for Cuban sugar, molasses and alcohol, which were recessed on November 14 in order to permit the Cuban Delegation to return to Habana and review with the Cuban Government and sugar industry the complete proposal of November 11 presented by the American Delegation, the Depart-

ment wishes to make several observations for your information and such use as may be appropriate.

The industry members of the Cuban sugar group appeared to be absolutely firm in accepting no price less than 3.15 cents per pound (although this price was never formally proposed by the Cubans), whereas Dr. Seiglie, speaking personally and informally at lunch stated that he would recommend acceptance of the United States price to President Grau. How strong his recommendation may be is uncertain. Mañas stated informally that the *Hacendados* would accept a price under 3.15 only at the direction of the government. Although Seiglie said later that he was empowered to accept a lower price he hesitated taking arbitrary action without further consultation with Grau. It is possible that as a result of the President's reaction to the apparently uncompromising attitude of the sugar industry on the non-grinding mill problem, Grau and private sugar interests may find themselves diametrically opposed in connection with the sale of the 1945–1946 crops. Whether Dr. Grau's political future and perhaps the political stability of Cuba might be placed in danger by a conflict with the sugar industry at the present time is a factor concerning which the Department will largely rely on you for judgment.

As mentioned in the Department's previous messages the procurement agencies of this Government have shown no inclination whatsoever to offer any higher price than 3.00 cents per pound. As a matter of fact War Food officials have advised us that they have reached their absolute limit. They feel that no justification for a higher price has been shown and that very important concessions have already been granted the Cubans with few concessions on their part. A factor which has caused concern in Government circles here is the possible difficulty in the future of favorably presenting the Cuban case before interested committees of Congress when sugar legislation or other similar topics are under consideration. Cuba's record in previous contracts of this war needs no support from any agency of this Government. However, on the basis of the Cuban position in the present negotiation it would be most difficult for the Department or other agencies in Washington to present a convincing case of Cuba's need for a higher price than 3.00 cents.

The Department will be glad to have your comments on the foregoing and it would also welcome complete reports of the publicity given the sugar negotiations by the Cuban press.

STETTINIUS

837.61351/12–1344 : Airgram

The Ambassador in Cuba (Braden) to the Secretary of State[53]

HABANA, December 13, 1944—noon.
[Received December 14—6 p. m.]

A–2783. The following are the most significant recent developments in connection with sugar purchase negotiations:

1. Last week the Minister of Commerce[54] in discussing the foodstuff situation expressed serious concern over the present shortage of wheat flour. He was informed that the present shortage was temporary and would be relieved by the expected early arrival of the 150,000 bags on which the subsidy was recently re-established. He was told, however, that Cuba would face a very real wheat flour shortage in January, unless the sugar negotiations could be promptly concluded, as local flour importers would doubtless withhold further purchases until they had the assurance that the stabilization agreement would be renewed. The Minister appreciated the seriousness of this situation and subsequently told me he had impressed the urgency of it on the President. That he had done so was confirmed in a press interview issued by the latter underscoring the importance in connection with sugar negotiations of obtaining supplies of flour and other foodstuffs from the United States.

2. Yesterday, while lunching at the Palace, the President expressed to me his concern in respect of these supplies. I told him I was not particularly alarmed, excepting as to wheat flour on which there had already been criticism of the amount of our subsidy on shipments to Cuba, and that it would be impossible for us to continue the subsidy unless we could point to its being a part of a successfully concluded sugar negotiation. Grau appeared to understand the situation and said that in an interview with the Cuban Sugar Mission the day before yesterday, it had been amply confirmed that the industry desired him to force them to accept a 3-cent price and that he did not wish to be put on any such spot. However, he had intimated to them that unless they got on with the negotiations, they might have to bear the blame for any shortages in wheat flour and other products.

3. On my return from the Palace, Doctor Seiglie called, presumably to get any last minute information on the sugar negotiations before appearing at last night's Senate Committee hearings (please see my despatch no. 8362 of December 5[55]).

Seiglie said that in a discussion on December 11 with other Cuban delegates he had pointed to the need for prompt action in view of the

[53] Edward R. Stettinius, Jr., took the oath of office as Secretary of State on November 30, 1944.
[54] César M. Casas Rodríguez.
[55] Not printed.

difficult supply situation which is developing. He added that *Hacendado* and *Colonos* delegates would close like a shot at 3.15 and intimated that, with pressure from the President, they would do so at 3 cents. He then went on to discuss other main points of difference in the proposed contract [56] and observed that a successful conclusion of the sugar negotiations would be expedited if a meeting of the minds could be obtained on the following:

A. There were, he said, certain definite advantages for the Cubans if we agreed to buy the 1945 and 1946 crops on a global basis of 9,250,000 short tons (I had intimated my optimism that we could get the 1946 position up to 4,000,000 tons); he added that, since the price for both years would be the same, no grower would risk the perils of cyclone and fire by not cutting in 1945 in order to obtain a greater yield in 1946 and that, moreover, adequate guarantees could be given us in this connection.

B. The increase to a maximum crop or at least to 4,000,000 tons in 1946 would, he added, practically eliminate the problem in connection with shipping ports (article 5, paragraph "*b*" of our proposal) and therefore he wanted to revert to the 1944 provisions in this connection.

C. He said he likewise wished to revert to an exchange of notes in connection with stevedoring, loading and port expenses since both the Government and the Hacendados feel that this will greatly fortify their position.

D. He was very insistent on the necessity for our purchasing molasses and alcohol in 1946, as well as in 1945.

In reply I told Seiglie that on the question of price I had run into a stone wall, reinforced by steel, and had been told by Washington that 3 cents was tops, repeat tops. On the other points raised, the following comments are pertinent:

a) I expressed willingness to re-submit to Washington in the hope we might obtain an agreement on this point, as it was my opinion, shared by my associates in the Embassy, that it may be mutually advantageous to purchase Cuba's entire sugar production for the next 2 years.

b) I also expressed willingness to re-submit but Norregaard disagrees with Dr. Seiglie in that the purchase of Cuba's entire 1946 production would eliminate the need for the provision on internal sugar movements contained in article 5, paragraph "*b*" of our proposal. He suggests however that, if necessary, we might agree to revert to the 1944 contract provisions in this respect with a stipulation that CCC should not be required to defray any expense involved in moving 1946 crop sugars to make room for 1947 production.

c) I said Washington was most insistent on this point. However, since we had already for 3 years covered the situation by an exchange of notes, I would be disposed to recommend (if this would materially facilitate the negotiations) that we accede to Cuba's request that the clause on stevedoring and port charges be embodied in an exchange of notes as heretofore.

[56] Presumably the memorandum submitted November 11; see footnote, 52, p. 951.

d) I said other agencies in Washington were adamant that we would require no Cuban molasses and alcohol in 1946, and therefore I could hold out no hope in this connection.

According to today's newspapers, the Senate hearings which began last night were devoted to descriptions by Seiglie and Mañas of our offers. Seiglie reportedly stated that the United States made two offers, one of 2.75 cents for the 1945 and 1946 crops and another of 3 cents for the 1945 crop only. Mañas (speaking for the *Hacendados*) declared that the price of 3.25 was maintained by the *Hacendados* but that they were still prepared at any moment to "reconsider it." He added, however, according to the press, that the *Hacendados* were maintaining their thesis that 3.25 was the minimum price. The only fireworks in the hearing appeared to have resulted from Senator Aurelio Alvarez' challenge of Mañas' statement that mill owners' net profit was only equivalent to what they obtained from molasses.

All of the foregoing has confirmed my impression that the Cubans are becoming increasingly nervous over the delay and that, if we persist in sitting tight, they will eventually accept 3-cent price, provided we can cede on some of the other points which they have raised.

BRADEN

837.61351/12–1444 : Telegram

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

WASHINGTON, December 21, 1944—5 p. m.

952. The United States Governmental agencies involved in sugar, molasses and alcohol matters are unanimous in the opinion that we cannot discuss any of the controversial points, mentioned in your A–2783 of December 13 and 1068 of December 14,[57] until Cuba has accepted the 3-cent price. We suggest that you inform the Cubans of this position. When the 3-cent price is acceptable to the Cuban Commission we shall be glad to renew discussions of the other issues.

The following is for your strictly confidential information. Questions of price and absorption of internal 1946 Cuban expenses are not subject to further negotiation. The quantity of the 1946 Cuban sugar purchase can possibly be adjusted upward.

Regarding possible increase in stevedoring charges, we must insist that under no circumstances can such increases be for our account. The possibility of an exchange of notes is being reviewed again.

The Cuban Commission has made no reply of any sort to the alcohol–blackstrap proposals and no major concessions appear justified.

STETTINIUS

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[57] Telegram 1068 not printed.

837.61351/12–2244 : Telegram

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

HABANA, December 22, 1944—6 p. m.
[Received December 23—1 a. m.]

1076. This afternoon I communicated the nonconfidential part of Department's telegram No. 952 December 21, 5 p. m. to Seiglie. He proposes immediately to inform his Mission colleagues, telling them it is now incumbent on them to decide whether they will accept the 3-cent price and then to call upon and inform the President of their decision.

Seiglie reiterated his often expressed conviction that, in one way or another, we will obtain the sugar as needed and declared that in his last conversation with Grau the President expressed appreciation for our having raised price for political reason to 3 cents and said under no circumstances would he permit us to be "held up". Nevertheless the Cuban Government does not wish to appear as putting pressure on industry nor to have United States Government appear to be pressing Cuba.

Seiglie explained that while at meeting, reported in my telegram No. 1068 December 14,[58] consensus of Cubans was to insist on sale of two crops (Casanova and Santiesteban having declared they would refuse flatly to consider sale of only one crop) he nevertheless felt solution might be reached through sale of 1945 *zafra* alone. Wherefore as an entirely personal matter in order that he might better advise the President as to how best to maneuver in this situation he hoped I could ascertain and inform him, in strict confidence whether or not we would be content to contract for the 1945 *zafra* alone, the agreement in general to be the same as for 1944 excepting that price would be 3 cents and there would be included the security clause, with such relatively minor alterations as he feels confident could be agreed upon between two Governments; this agreement would also include the same stipulations as to price and otherwise in respect of molasses and alcohol as in the 1944 agreement and there would be included 250,000 long tons for local consumption and 150,000 long tons for free market.

I told him I did not like the idea myself and did not know whether the United States Government agencies would even be willing to express an opinion. I added that after all the next move was really up to the Cuban Mission; in this he agreed.

Please advise me whether or not you feel such an arrangement as Seiglie suggests would be feasible and what, if anything, I may advise him in connection herewith.

BRADEN

[58] Not printed.

837.61351/12–2244 : Telegram

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

WASHINGTON, December 28, 1944—7 p. m.

969. The interested agencies of this Government consider that since a proposal has been submitted to the Cuban Commission and no official reply has been received, we are not inclined to indicate any amendments in our proposal at the present time. This refers to your telegram no. 1076, December 22.

It may be mentioned, for your personal and confidential information, that sugar prospects in the Philippines are not as favorable as shown by reports of several months ago. Consequently we wish to provide for 1946 sugar in our purchase agreement. We would prefer that, in making your reply to Seiglie, you not mention this but only that we are disinclined to make any amendments in our present proposal until a reply has been received from the Cubans. Upon acceptance by them of the price of 3 cents, we should be quite prepared to receive and consider a counter proposal involving our complete offer, and we consider that this position can in no way be interpreted as putting pressure on the Cuban Government.

STETTINIUS

INTEREST OF THE UNITED STATES IN THE EQUITABLE DISTRIBUTION OF IMPORTED PETROLEUM PRODUCTS IN CUBA

837.6363/534 : Telegram

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

HABANA, March 2, 1944—7 p. m.
[Received 8:35 p. m.]

220. Embassy and ORPA [59] being importuned by local industries urgently requesting larger supplies of fuel oil for their operations. They claim, and Embassy's information apparently confirms, that fuel oil situation is much easier and that supplies are available. In view of importance to Cuba's economy of some of the industries involved it would be appreciated if the Department will telegraph the Embassy whether fuel oil supply and tanker situation are such that larger quantities of fuel oil can be furnished to Cuba on a national economy basis to be distributed by ORPA.

BRADEN

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[59] Oficina de Regulación de Precios y Abastamientos, Cuba's office of price control.

837.6363/534 : Telegram

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

WASHINGTON, March 11, 1944—1 p. m.

215. Your 220 of March 2, 1944. There has been no improvement in the combined tanker and fuel oil situation sufficient to permit any increase in the present basic allotment of 40% of 1941 consumption.[60]

The Department and other Government Agencies continue disposed to examine all justifiable cases that can qualify as economic or war essentials.

HULL

837.24/2476 : Airgram

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

HABANA, March 16, 1944—11 : 50 a. m.
[Received March 17—3 p. m.]

A–531. Supplementing Embassy's airgram A–363, February 19, 1944, 12 : 00 noon, which replied to the Department's A–247 of February 12, 1944, 12 : 30 p. m.,[61] local Pool members submitted for Embassy consideration a draft of a proposed ORPA resolution legally establishing a Cuban Petroleum Pool Committee; also a memorandum [62] reiterating the objections of the present members to the inclusion of Cumex [63] in the new Pool Committee.

At a meeting held in my office yesterday, present Pool members and Embassy officials carefully examined all phases of this question and Pool members withdrew their objections to Cumex' participation in the proposed committee. It was agreed that the proposed resolution would be revised to include Cumex and submitted to ORPA. Informal discussions with ORPA officials had already indicated that they favor such a resolution and it is hoped, therefore, that a Cuban Petroleum Pool Committee including representatives of all five bulk importers will soon be legally established.

BRADEN

837.6363/536 : Airgram

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

HABANA, March 20, 1944—11 : 40 a. m.
[Received March 23.]

A–560. The question of shipments of fuel oil by Petróleos Mexicanos [64] to Cumex in 1944, as raised in the Department's A–293 of

[60] A more complete statement of this allotment formula appears in airgram A–740, April 8, from Habana, p. 961.
[61] Neither printed.
[62] Not found in Department files.
[63] Compañía Cubana de Petróleo, S.A.
[64] Mexican government-controlled oil industry, known as Pemex.

February 19, 1944, 1:40 p. m.,[65] has a strong bearing on the general proposition of Cumex participation in the Cuban Pool and these matters were simultaneously discussed with present Pool members.

The results to date of the discussions of Cumex membership have been reported in the Embassy's airgram A–531 of March 16, 1944, 11:50 a. m. To the information contained therein should be added the fact that all parties agreed that Cumex participation in pooling of information and other national pool activities should be limited to fuel oil, this being the only product it has handled in this market to date. Pool members believe, and the Embassy concurs, that access by means of national pool membership to detailed information on other products might facilitate the entry of Petróleos Mexicanos into post-war competition in those fields.

With regard to proposed shipments by Pemex to Cumex in 1944, Mr. Randall,[66] the Chairman of the local Pool, states that it has never agreed to a 500,000 barrel figure, nor to any figure at all. He informs the Embassy, further, that the Pool has never specified the ports to which Pemex shipments should be made; and that, as a matter of fact, Cumex has recently been receiving all of its shipments at northwest ports. Mr. Reynoso is alleged to have told Mr. Randall that Pemex plans to continue shipping all of its Cumex cargoes to northwest ports, and the Pool states that it has no objection to this procedure provided that Cumex's sales are limited to approximately 211,000 barrels per year; to which amount it is entitled under the pooling agreement.

Should more detailed information on this matter be required, the Embassy will, upon request, elaborate in the form of a despatch.

BRADEN

837.6363/540a : Airgram

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

WASHINGTON, March 27, 1944—6:20 p. m.

A–515. The Petroleum Supply Committee for Cuba[67] in its letter no. 273 dated March 1, 1944 addressed to the Executive Secretary of the Petroleum Supply Committee for Latin America indicates that the local committee is persisting in endeavoring to establish its ideas as to the proper volumetric participation of Cumex in the fuel oil consumption of Cuba.

The Department repeats the advice given in its A–2720 of December 23, 1943,[65] namely, that the division among the various members of the local committee of the total quantities of petroleum products allotted to Cuba is a function of the local petroleum authorities. It

[65] Not printed.
[66] F. C. Randall, Chairman of the Petroleum Supply Committee for Cuba.
[67] Comité de Abasto de Petróleo para Cuba.

is expected that in approving such division the local authorities will follow generally equitable lines, which in practice has meant elsewhere the use of some equitable base or qualifying period, and that you would cooperate to that end with the local authorities.

There is no justification for the theory of the local committee that participants' quantities should necessarily be calculated on the basis of participants' sales in the qualifying period in the non-essential and essential categories separately. If there are special circumstances justifying the local committee's attitude, they should have the approval of the local authorities.

The Department desires to see the question of equitable participation for Cumex, as an established distributor in the Cuban market, satisfactorily taken care of and to have the position of the pool committee under local legislation adequately clarified.

HULL

837.6363/545 : Airgram

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

HABANA, April 8, 1944—11 a. m.
[Received April 10—3 p. m.]

A–740. Resolution constituting national pool, including Cumex, not yet promulgated by ORPA. Present draft expected to be adopted shortly will specify that all companies will be subject to the same formula for fuel oil sales, without discrimination. The present formula consists of 40 percent of each company's 1941 "nonessential" sales plus its "essential" sales and has the approval of ORPA. Under this formula Cumex, which sold 338,365 barrels in 1941, would presumably be entitled in 1944 to sell 126,765 barrels of "war essentials" plus 84,640 barrels of "non-essentials"—or a total of 211,405 barrels. Resolution establishing national pool will require ORPA's approval of basis upon which Cumex participation in fuel oil sales is determined.

BRADEN

837.6363/547 : Telegram

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

HABANA, April 15, 1944—6 p. m.
[Received 8 : 35 p. m.]

387. Minister of State [68] advised me that Mexican tanker has unloaded 161,000 gallons gas oil in Habana for Cumex and urgently requests that it be considered *ex quota*. I stated I would be glad to cable Washington which would have to make the decision but situa-

[68] Jorge Mañach y Roberto.

tion was such that in all frankness I was not at all sanguine that his request could be granted.

I can see no justification for increasing Cuba's supply of petroleum products. If Cuban Government were to follow up its proposal for trade of gasoline for gas oil reported in Embassy's despatch number 5729 of January 18, 1944,[70] it is believed that all Cuba's essential requirements could be met. I consequently recommend that this shipment not be considered *ex quota*. Please instruct.

BRADEN

837.6363/545: Airgram

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

WASHINGTON, April 15, 1944—6 p. m.

A–629. The Department assumes the ORPA has adequate reasons of its own as distinct from the natural desires of the other Pool members why the participation of the Cumex in the fuel oil pool should result in limiting that company's sales to approximately 62% of its 1941 volume whereas the other Pool members are participating on a basis which permits them to sell quantities of fuel oil approximating or exceeding their 1941 sales.

The above refers to your A–740 of April 8, 1944.

HULL

837.6363/549: Airgram

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

HABANA, April 18, 1944—2: 10 p. m.
[Received April 21—8 a. m.]

A–823. Reference Department's A–629 of April 15, 1944, 6: 00 p. m. The Embassy and ORPA are aware of apparent discrepancy in allowable fuel oil sales for Cumex and other bulk petroleum importers under the formula described in the Embassy's A–740 of April 8, 1944. Because of problems involving local transportation and storage facilities it was believed advisable by both ORPA and Pool members to reserve, insofar as possible, to each company its 1941 fuel oil customers, regardless of category. Cumex, having few "essential" customers would appear to be subject of unfair treatment under this system, yet import figures indicate that its 1943 imports were in excess of 80 percent of 1941 figures.

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[70] Not printed; the proposal called for a reduction in imports of 6 million gallons of gasoline (to be offset in part by additional supplies of *carburante* for local Cuban alcohol production) and the import instead of 6 million gallons of gas oil (837.6363/519).

The Embassy has intended, of course, to investigate this and all other phases of Cumex trading with ORPA thoroughly, as soon as Cumex is a member of the National Pool about to be formed. It is felt, however, that to undertake such an investigation at the present time might well result in further delay in the issuance of the National Pool Resolution and possible loss of several months' efforts along this line.

BRADEN

837.6363/557a : Airgram

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

WASHINGTON, April 21, 1944—3:15 p. m.

A–673. Reference is made to your 387 of April 15, 6 p. m. The 161,000 gallons of gas oil unloaded in Habana from Mexico for Cumex cannot be considered *ex quota*.

Adequate machinery already exists and functions for the consideration of Cuba's minimum requirements of petroleum products. These arrangements would be completely stultified if *ex quota* shipments are permitted. Furthermore, Cuba has as you clearly state an alternative immediately at hand, namely, the already approved gas oil for gasoline exchange.

HULL

837.6363/556

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

No. 6706 HABANA, April 24, 1944.
[Received April 27.]

SIR: I have the honor to refer to a letter, dated April 12, 1944, received by the Commercial Attaché [71] from Mr. F. C. Randall, Chairman of the Petroleum Supply Committee for Cuba, enclosing a memorandum pertaining to the gas oil supply situation in Cuba. The burden of Mr. Randall's letter and memorandum, copies of which are enclosed,[72] constitutes a request on behalf of the Committee that Cuba be given an additional "national economy essential" quota of gas oil amounting to 9,500 barrels per month.

This matter was discussed orally with the Committee by the Commercial Attaché on the occasion of a meeting of the Committee on April 17, 1944 and it was indicated to Mr. Randall that the Embassy's feeling was that such a request was unjustified at this time because of various important considerations. Among these is the fact that Cuba has not yet instituted any measures whatever, permitting it to

[71] Charles H. Ducoté.
[72] Not printed.

avail itself of the extra gas oil that could be supplied from the six million gallon gasoline-gas oil exchange which the Prime Minister [73] had earnestly and urgently requested be authorized by our Government, in his letter to me of January 11, 1944,[74] and which was approved by our Government. In his letter the Prime Minister set forth the seriousness of the gas oil supply situation for agricultural purposes, and stressed that it was highly important that the exchange be approved inasmuch as he felt that it would go a long way towards solving the problem of Cuba's gas oil supply for essential agricultural purposes. Another consideration touched upon during the meeting with the Committee was that the Embassy's information showed that the quota of 6,000 barrels of gas oil per month furnished to Cuba last year for agricultural purposes has in large measure been diverted to other and less essential uses.

There would be very little assurance, therefore, that any additional allotments of gas oil for Cuban agriculture on a "national economy essential" basis, would not likewise be diverted and in large part wasted.

The Department's attention is invited, moreover, to the exaggerations contained in a considerable portion of Mr. Randall's comments with reference to Cuban agricultural activity with regard to certain crops, and its relation to the war effort.

In view of the foregoing, therefore, I consider that this request (which, incidentally, should have been presented, in accordance with established procedure, through ORPA) should be denied, and there is attached a copy of a letter, dated April 20, 1944,[75] addressed by the Commercial Attaché to Mr. Randall in which it is indicated that the Embassy does not consider that it could appropriately sponsor his application before the interested agencies of our Government.

Respectfully yours,

For the Ambassador:
CHARLES H. DUCOTÉ
Commercial Attaché

837.6363/549 : Airgram

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

WASHINGTON, April 29, 1944—10:15 a. m.

A–723. The Department understands from the last paragraph of your A–823 of April 18, 1944 that if the Cumex enters the petroleum pool on the basis you have described in previous communications the question of their volumetric participation would not necessarily be limited to the formula cited in your A–740 of April 8, 1944.

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[73] Ramón Zaydín.

[74] Copy transmitted to the Department in despatch 5729, January 18, 1944, from Habana; neither printed.

[75] Not printed.

In other words the Department does not believe that the Cumex should be forced by anyone other than the Cuban authorities acting on reasons solely of their own to accept definitively a volumetric participation in the pool which would result in substantial relative inferiority.

HULL

837.6363/563 : Telegram

The Counselor of Embassy in Cuba (Dawson) to the Secretary of State

HABANA, May 11, 1944—3 p. m.
[Received 4:31 p. m.]

463. Confirmation has been obtained of suspicions expressed in Embassy's A–920, April 29,[76] that chief purpose of trip of heads of local oil companies to the United States is to obtain additional grant of gas oil for Cuba. Apparently a deal has been made whereby ORPA granted increase in local sales price of gas oil in exchange for oil company agitation in Washington in favor of additional essential quota gas oil for Cuba. Embassy urges gentlemen's agreement provided no extra allotment be granted. Further details will be forwarded by airgram today.

DAWSON

837.6363/570 : Airgram

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

[Extract]

HABANA, May 13, 1944—1:05 p. m.
[Received May 18—1 p. m.]

A–1031. Reference is made to the Department's airgram No. A–753 of May 6, 1944.[76] The Commercial Attaché, immediately after the Embassy had received the Department's airgram, inquired of Dr. Diago of ORPA, concerning the steps being taken by Cuba in order to avail itself of the gasoline-gas oil exchange. Dr. Diago stated that he has given orders that the plan is to be put into effect June 1, and that he expects it will meet with at least some success, although he foresees considerable difficulty in obtaining compliance on the part of bus operators who are not disposed readily to give up their gasoline quotas and take "carburante" instead. Dr. Diago said that ORPA had already induced some consumers to take "carburante", however, and he estimated that he had saved up to the present time about 90,000 gallons of gas oil in this way.

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[76] Not printed.

The hope was expressed by the Commercial Attaché that this gas oil, together with other quantities that might be saved after June 1, would be made available first to the agriculturists as they were the ones the Prime Minister had in mind when he requested early in January that the Ambassador endeavor to assist in obtaining approval of the proposed exchange. Dr. Diago gave assurance that all additional supplies of gas oil obtained by exchange would be made available to the farmers.

. . . . . .

BRADEN

837.6363/572a : Telegram

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

WASHINGTON, May 15, 1944—6 p. m.

429. Under pool principles local committees are not authorized to initiate requests for additional allotments of petroleum products because of the evident commercial interest of the member companies in the granting of such requests.

Both the local committees and the Petroleum Supply Committee for Latin America in New York are limited in this connection to furnishing advice upon request by either local or Washington authorities.

You can be assured that no additional gas oil will be granted as the result of solicitation by members of the local committee now in the United States or in any other way not consistent with usual pool procedure which must be channeled through local petroleum authorities and the United States mission in the area involved.

HULL

837.6363/556 : Airgram

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

WASHINGTON, May 15, 1944—6:30 p. m.

A–800. Reference your despatch no. 6706 of April 24. The Department and the Essential Requirements Committee agree entirely with the attitude taken by the Embassy in connection with the request of the local pool committee for the Embassy's sponsorship of their proposal for the granting to Cuba of a national economy essential of 9,500 barrels of gas oil.

As advised in confidential telegram sent you today,[78] no consideration can be granted to requests for essential allotments originating with pool committees.

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[78] Department's telegram 429, *supra*.

In addition to the present petition violating the foregoing principle, it is evident that the petroleum companies are motivated in no small degree by the desire to avoid the commercial repercussions which they would feel if the proposed and approved exchange of six million gallons of gasoline from Cuba civilian quota for a like quantity of gas oil is made.

The obvious remedy for this situation, to the extent which it may really require remedy, is for the companies to petition the RPA [79] for suitable adjustment in gas oil and possibly gasoline selling prices and not to endeavor to discourage an operation which has evident advantages to the Cuban economy.

For your confidential information, gas oil together with kerosene are in the most critical supply situation of all the petroleum products and it is necessary to exercise a very close control over the granting of any additional allotments. In view of this situation, the Essential Requirements Committee does not believe it will be possible to authorize any additional national economy essentials for gas oil until Cuba has availed herself of the gas oil for gasoline exchange and it has become evident that the exchange does not completely solve Cuba's economically essential requirements for gas oil.

HULL

837.6363/571

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

No. 6905 HABANA, May 16, 1944.
[Received May 20.]

SIR: Supplementing previous correspondence on this subject, I have the honor to report that ORPA Resolution No. 218, dated May 10, 1944, promulgated in *Official Gazette* No. 265 of May 13, 1944, establishes a national petroleum pool.

The Pool is to be known as the "Petroleum Supply Committee for Cuba" and is to be composed of representatives of the Standard Oil Company of Cuba, the Sinclair Cuba Oil Company, S. A., the Compañía Petrolera Shell-Mex de Cuba, S. A., The Texas Company, W. I. Limited, and the Compañía Cubana de Petróleo, S. A.

The Resolution ratifies the establishment in May of 1942 of the Petroleum Supply Committee, composed at that time and until the present Resolution was promulgated, of all of the companies mentioned, with the exception of the Compañía Cubana de Petróleo, S. A. One of the provisions of the Resolution provides for the inclusion henceforth, of the Compañía Cubana de Petróleo, S. A., in the Committee.

[79] Presumably ORPA.

The Resolution postulates the qualitative participation of each of the companies in the market upon the products imported by them in bulk during 1941, and quantitatively by extrapolation of sales data, likewise using the year 1941 as a basis.

The duties and functions of the Committee as outlined in the Resolution are mainly concerned with putting into effect ORPA's allotments of quotas of petroleum products among the various consumers, arranging the participation of each of the pool members in supplying these quotas, compiling of statistical data, and all other related activities concerned with the establishment and maintenance of the common fund or pool, of bulk petroleum products supplied to Cuba.

The Embassy will promptly report to the Department all significant developments with reference to the application and enforcement of the Resolution.

There are attached a copy and translation of Resolution No. 218.[80]

Respectfully yours, For the Ambassador:
CHARLES H. DUCOTÉ
Commercial Attaché

837.6363/579 : Airgram

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

HABANA, May 27, 1944—11:45 a. m.
[Received May 30—8 a. m.]

A–1142. Embassy has learned that Cumex imported approximately 3,234 barrels of gas oil via Mexican tanker arriving Habana May 25, 1944. This is in violation of the terms of Resolution No. 218 of the ORPA, published in *Official Gazette* May 13, 1944. (See Embassy's despatch No. 6905 of May 16, 1944, file No. 869.7). Cumex representative agreed to terms of this Resolution at a meeting of Pool members and ORPA on April 29, 1944, and would, therefore, have had ample time to cancel this order if placed prior to that date.

In keeping with the policy outlined in Department's A–673 of April 21, 1944, 3:15 p. m., Embassy is informing Cuban officials that this gas oil must be charged to Cuba's quotas. It will be appreciated if the Department will confirm this stand.

Other Pool members are lodging a vigorous protest with ORPA over importation and distribution of this gas oil by Cumex in contravention of Resolution No. 218. Embassy will report to the Department as to action taken by ORPA.

BRADEN

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[80] Not printed.

837.6363/578 : Airgram

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

WASHINGTON, June 10, 1944—9 : 50 a. m.

A–961. Reference is made to your A–1142 of May 27. The Embassy's understanding of the basic pool principle requiring imports from other than pool sources to be deducted from quantities supplied by the pool is correct. ORPA, if it decides Cumex is not entitled to any distribution position in gas oil, of course could make a corresponding transfer of fuel oil business from Cumex to other pool members sufficient to compensate them for the lost gas oil business and to discourage the Cumex from importing products in which they have no position regularized by the Cuban authorities, or take other appropriate measures.

The Embassy should bear in mind that although the total quantities of petroleum products available to Cuba are not increased by such imports as the recent gas oil shipment to Cumex, the question of allocating the total petroleum product distribution among the interested companies is one for determination by the local authorities, our interest in the matter being limited to endeavoring to avoid any flagrant violation of equity.

STETTINIUS

837.6363/586

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

No. 7198 HABANA, June 16, 1944.
[Received June 23.]

SIR: I have the honor to transmit herewith to the Department the text and translation of Resolution No. 230 of May 31, 1944,[81] which provides for the use of *carburante* in place of gasoline to the extent that circumstances require.

The Embassy's despatch No. 5729 of January 18, 1944 (file No. 869.7)[81] reported to the Department in detail, a proposal by ORPA to exchange 6,000,000 gallons (142,857 barrels) of gasoline for an equal quantity of gas oil. The Department signified approval of the proposal in airgram A–95 of February 2, 1944,[81] and Resolution No. 230 is the official Cuban action required to make the gasoline available for the exchange.

The Embassy will continue to keep the Department informed as to the progress which is made in the gasoline–gas oil exchange program.

Respectfully yours, For the Ambassador:
CHARLES H. DUCOTÉ
Commercial Attaché

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[81] Not printed.

837.6363/581 : Airgram

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

WASHINGTON, June 17, 1944—2:40 p. m.

A–1019. The analysis contained in your airmail despatch no. 7047 of May 30, 1944 [82] of the first four months' consumption of petroleum products in comparison with pool allotments serves to call attention again to the gas oil for gasoline exchange which, as you rightfully point out, is the logical solution to the over-consumption of gas oil under present allotments.

Since this allotment was approved at the formal request of the Cuban Government and has not been taken advantage of, the Department would appreciate the Embassy's opinion as to the possible advisability of notifying the Cuban Government that as a result of the approved exchange, gasoline quotas had been reduced and gas oil quotas accordingly increased. Of course it would be understood that shipments of gasoline would be cut down and additional gas oil deliveries made in commensurate quantities but only after gasoline consumption had shown approximate decreases. A sufficient interval of time before the effective date of the suggested revision in gasoline quotas could be contemplated in order to allow a reasonable period for achieving measures necessary to increase the consumption of indigenous substitutes.

HULL

837.6363/8–3044 : Airgram

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

[Extracts]

HABANA, August 30, 1944—9:30 a. m.
[Received August 31—5 p. m.]

A–1917. For Rayner,[83] Petroleum Division, from Webb.[84] Aided by excellent cooperation on the part of the Embassy, discussions have taken place during my visit with the local rationing authorities and the local pool committee, of the principal pending petroleum questions. The outcome of these discussions is given below and is concurred in by the Embassy here.

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[82] Not printed.

[83] Charles B. Rayner, Adviser on Petroleum Policy in the Office of Economic Affairs.

[84] Leslie A. Webb, of the Petroleum Division.

The position of the Cumex in the pool was fully discussed with other pool members and with the ORPA. It is felt that all parties have an accurate understanding of their respective rights and obligations and since the recent gas-oil importation by Cumex is expected shortly to be acquired by the other pool members, there are no pending sources of difficulty between this company and the other pool members and there is reason to expect that there will be no further difficulties in the future of a serious nature.

It is apparent that the Embassy, local pool and local rationing authorities work closely and harmoniously in connection with petroleum product problems. The sales position in comparison with allotments in the various essential and national categories is very good, the recent additional gas-oil allotment having removed the last case of over-consumption in the national categories. A few suggestions of a minor nature were made, looking towards even closer cooperation between the pool and the Embassy.

Am leaving today for Mérida and Guatemala as per schedule. [Webb.]

NUFER

837.6363/10–2144 : Telegram

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

WASHINGTON, October 28, 1944—4 p. m.

835. The fuel oil supply situation is such at present that it is possible to approve a special allotment of 250,000 barrels to Cuba for consumption in 1944, this special allotment to be used at the discretion of the Cuban officials for the benefit of the national economy.

The Essentials Requirements Committee refused to approve an allotment on a war essential basis of fuel oil for the production of industrial alcohol (reurtel 917, October 21 [85]). The Committee did not wish to establish a precedent in this connection which might be used by the Cubans in future negotiations.

STETTINIUS

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[85] Not printed.

DISCUSSIONS CONCERNING THE CONTINUATION OF EXPORT-IMPORT BANK CREDIT FOR PUBLIC WORKS PROJECTS IN CUBA[86]

811.516 Export-Import Bank/943

Memorandum of Conversation, by Mr. George F. Scherer of the Division of Caribbean and Central American Affairs

[WASHINGTON,] March 28, 1944.

Participants: Dr. Aurelio F. Concheso, Cuban Ambassador
Mr. Warren S. Pierson, President, Export-Import Bank
Mr. Eugene LeBaron, Attorney, Export-Import Bank
Mr. John Fitch, Engineer, Export-Import Bank
Mr. John Cabot, CCA[87]
Mr. Willard Barber, CCA–FMA[88]
Mr. George Scherer, CCA

At the suggestion of Mr. Pierson, Ambassador Concheso appeared on March 28, 1944, at the former's office to discuss the present situation of the Bank's $25,000,000 credit for Cuba.

Representatives of the Bank explained in some detail the present paralyzed state of project activities. The most important project, the Central Highway, has progressed very little in the past few months, with inferior work being done in Pinar del Río and one of the contractors threatening the inspectors of the Snare Corporation.[89] No orders have been placed for necessary equipment and certain asphalt supplies. No progress is being realized on the refrigerated warehouses.

It was indicated in addition that, owing to satisfactory economic conditions in Cuba and to the excellent fiscal position of the Cuban Government, there appears to be no further need for the credit in Cuba. Indeed, taxes established to service the credit have resulted in revenues far greater than the interest requirements.

Accordingly, in view of changed conditions, it would appear desirable to reexamine the credit under Section 9 of the agreement[90] and perhaps to withhold further loans. (The Bank indicated that certain minor applications for funds are now being held in abeyance).

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[86] For previous correspondence on the financing of public works projects in Cuba, see *Foreign Relations*, 1943, vol. VI, pp. 240 ff.

[87] Division of Caribbean and Central American Affairs.

[88] Division of Financial and Monetary Affairs.

[89] Frederick Snare Corporation, an engineering and construction company with central offices in New York City and wide business interests in Latin America.

[90] The Export-Import Bank loan agreement between the Bank and Cuba's Comisión de Fomento Nacional (subsequently referred to as the Comisión, the Commission, or the National Development Commission of Cuba) was signed in Washington on April 8, 1942. It provided for a line of credit of $25,000,000 repayable in 30 installments semi-annually with interest at 4 percent. The loan was to be used for public works and agricultural projects. (837.51/2869) For previous correspondence on the agreement, see *Foreign Relations*, 1942, vol. VI, pp. 290–294, and *ibid.*, 1943, vol. VI, pp. 240 ff.

It was proposed to Ambassador Concheso that he request his Government to have an official proceed to Washington to discuss the situation thoroughly.

Ambassador Concheso made the following points in his reply:

(1) President Batista had expressed the view, when the credit was originally established in 1942, that it was actually not needed by Cuba, but that he would go through with it as a "Good Neighbor" gesture.

(2) Shutting off further credits might involve unfortunate political implications, especially in view of the presidential campaign which will terminate in elections on June 1. Ambassador Concheso said he would have to give some thought to this matter and discuss it with President Batista.

(3) If further credits are withdrawn, Ambassador Concheso wished to receive assurances that priority arrangements for material needed in this country would not be affected. He referred especially to the sanitation projects at Guantánamo and Santiago de Cuba as having received White House approval. Mr. Pierson stated that there is no connection between the loan and priority matters, and the Ambassador was given the preliminary view that withdrawal of credit would not affect the priority situation. He was informed that this phase would be more fully investigated and that he would be kept advised.

The Ambassador stated that he plans to leave for Habana this week to discuss the situation personally with President Batista.

811.516 Export-Import Bank/935

Memorandum of Conversation, by the Assistant Chief of the Division of Caribbean and Central American Affairs (Cabot)

[WASHINGTON,] April 15, 1944.

Participants: Ambassador Concheso
García Montes [91]
Mr. Duggan [92]
Mr. Cabot

Ambassador Concheso and García Montes called on Mr. Duggan on April 14th. Mr. García Montes said that he had had satisfactory talks with the Export-Import Bank. The Bank was strongly urging that Cuba cancel the $25,000,000 credit in its own interest, but was willing not to press the matter until after the Cuban elections. García Montes said that his Government wanted to keep the credit and he hoped that the matter might be reconsidered even after the elections.

Mr. Duggan mentioned the desirability of reorganizing the Commission.

[91] Oscar García Montes, one of the two active members of the Commission at this time. He arrived in Washington in early April to discuss the Bank-sponsored projects.

[92] Laurence Duggan, Director, Office of American Republic Affairs.

Mr. García Montes said that he would return in June to hold further conversations with the Bank.

Mr. Cabot mentioned the Ambassador's vacation plans. After a moment's conversation on that subject, Mr. Duggan asked whether any decision had been reached about paying Cuba's outstanding obligations to American citizens and firms.[94] The Ambassador said that he would look into this when he was in Cuba.

811.516 Export-Import Bank/949 : Airgram

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

HABANA, April 15, 1944—3:20 p. m.
[Received April 17—4 p. m.]

A–809. Reference paragraph No. 3 my telegram No. 349, April 3, 7 p. m., 1944.[95] Cuban Government appears to have heard nothing from Oscar García Montes regarding progress of negotiations with Import-Export Bank but impression has been gained (apparently from other sources in Washington) that Bank is willing to give Cuban Government one more chance provided certain conditions are met, including a Comisión which will be able to function.

As no mention has been made in these indirect reports that negotiations with García Montes have likewise included demand that outstanding claims of American citizens and American corporations be liquidated in the near future, I hasten again to recommend in the strongest possible terms that this point be made one of the conditions on which extension of the line of credit by the Bank will be continued.

Department will recall (see Cuban Government's memorandum attached to Embassy's despatch No. 1914 of April 20, 1941[96]) that the Cuban Government promised, before the line of credit was originally granted, to give prompt consideration to all outstanding American claims. These promises have not been fulfilled and therefore the present negotiations offer a favorable opportunity to have this pledge renewed.

In this connection I quote the following paragraph from this Embassy's economic report No. 1116 of April 11, 1944:[97]

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[94] For a more extended treatment of Cuban financial obligations to American citizens and corporations, see pp. 910–914 and 916–918.

[95] Not printed; paragraph 3 contained a recommendation that all outstanding American claims be settled by Cuba as one prerequisite for continuation of the Export-Import Bank credit (811.516 Export-Import Bank/935).

[96] *Foreign Relations*, 1941, vol. VII, p. 147.

[97] Not printed.

"Actual cash disbursements against the 1944 regular Cuban budget totalled 28.4 million pesos during the above period (first quarter 1944), so that to date revenue receipts available for regular budgetary purposes exceed actual cash disbursements by 7.1 million pesos."

On this basis, recorded outstanding claims of United States nationals could be paid in cash by the Cuban Government from excess revenues in about 6 months' time.

If under the foregoing and previously recited circumstances we now fail to obtain positive action on the many long standing and legitimate claims of our citizens, we shall be in a highly vulnerable position and would be subject to the severest of criticism for our failure to protect their rights.

BRADEN

811.516 Export-Import Bank/949: Airgram

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

WASHINGTON, April 22, 1944—6:25 p. m.

A–685. Reference the Embassy Airgram no. 809, April 15, 3:20 p. m. During conversations concerning the $25,000,000 credit of the Export-Import Bank participated in by Dr. Oscar García Montes and Bank representatives, particular reference was made to the desirability, from the long-range viewpoint of Cuba, of a cancellation of the credit. It has, of course, been thoroughly understood that no steps would be taken in this connection that might have unfortunate political repercussions.

Pending further consideration of possible cancellation which is likely to be reviewed again in detail after the Cuban presidential elections, the Department and the Bank have emphasized, in discussions with Dr. García Montes, the need for a thorough reorganization of the Comisión de Fomento Nacional, which it is believed the Cuban Government will wish to undertake in any case whether the Comisión's funds are received from United States or Cuban sources.

Since the principal consideration in the discussions here has been the possibility of cancellation of the credit it was not felt desirable to introduce any mention of outstanding claims of United States interests against the Cuban Government.

As the Embassy is aware, the Department, of course, continues its active interest in support of American claimants and it uses every appropriate occasion to keep the matter before the Cuban Embassy at Washington.

HULL

811.516 Export-Import Bank/984 : Airgram

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

HABANA, May 31, 1944—noon.
[Received June 1—6 p. m.]

A–1173. Embassy has been informed in strictest confidence that Oscar García Montes has received a draft amendatory agreement [98] from the Export-Import Bank under which the agreement of April 8, 1942 for the $25 million line of credit would be cancelled. Draft amendatory agreement appears to have been drafted under date of May 4, 1944 but apparently reached García Montes only on or about May 27. Embassy has received no information on this subject from the Department or from the Export-Import Bank.

Embassy informed that García Montes surprised and upset by this development although he now admits to Montoulieu [99] that possibility of cancellation after forthcoming elections was discussed in Washington and he was asked to draft such an amendatory agreement. (Department will recall from my despatch No. 7103 [*7013*] of May 26 [1] that Montoulieu apparently had no knowledge of possible cancellation of the credit unless and until the reorganized Commission might fail to carry out its duties in an adequate manner.)

García Montes, so far as the Embassy is informed, prepared no written report on his conversations with the Export-Import Bank and the Department in Washington. It would appear from the Department's instruction No. 3115 of April 19 [1] that no written protocol or memorandum was initialed by the Bank and García Montes setting forth the results of these conversations. As a result there would seem to be room for the misunderstanding which appears to have developed between Washington and Habana with regard to possible cancellation after the elections. García Montes admits that he has done nothing toward the preparation of a draft amendatory agreement but he thought, as the Bank since his visit had approved auxiliary roads projects in the amount of $1,400,000, that his view had prevailed and that cancellation was no longer a possibility.

I regret that I have not been kept adequately informed with regard to these developments and particularly that I was not given an opportunity to see the draft amendatory agreement before it was sent to García Montes. As I have pointed out in my previous communications to the Department, I feel that cancellation should have taken place when García Montes was in Washington. I feel that the post-

[98] Not printed; it was prepared in the Export-Import Bank along lines suggested by García Montes while he was in Washington. A copy was forwarded to him through the Cuban Embassy on May 15, but copy to State Department was inadvertently delayed until June 2.

[99] Eduardo Montoulieu, Minister of Finance.

[1] Not printed.

ponement of such cancellation until after the Cuban elections might very well be interpreted as interference by us in internal affairs of this country and I earnestly request that no further action on this matter be taken without full consultation with this Embassy.

While the draft amendatory agreement provides for cancellation of the credit it also contains a number of paragraphs setting forth the procedure which shall be followed by the Cuban Government and the Commission after the Bank ceases to have any part in the various projects. The draft agreement, for example, provides that the Commission "will retain the services of a qualified engineer or an engineering firm to act as Consulting Engineer", a provision which can hardly be applicable if the Cuban Government is to take over full authority and responsibility. It would appear unlikely that the Cuban Government will think itself obliged to sign with the Bank undertakings restricting the action of the Government after the Bank ceases to be a party to the agreement.

The Embassy understands that a brief reply has already been sent by the Commission to the letter received by García Montes.[2] This reply, it is understood, states that the matter must be discussed with President Batista, who cannot be consulted until after the elections. In other words, the Commission feels that the reply to a proposal of this nature must come from the President of the Republic.

The Embassy understands that it is the present feeling of the Commission that three courses of action are possible:

(1) As Dr. Saladrigas,[3] if elected, intends to visit Washington, he might undertake (if he and President Batista agree to such a course) to approach the Export-Import Bank while in Washington, reminding the Bank that the original agreement was entered into while he was Prime Minister and requesting the Bank to continue the credit as originally planned.

(2) The Bank might be requested to carry out the projects which have already been approved, amounting to some eleven million dollars. This would avoid the considerable embarrassment which would be caused the Commission if it now had to tell the various contractors that the Bank is no longer a party to the agreement under which the contracts were let. The consulting engineers are of the opinion that the vast majority of the contractors would cancel their contracts if the Bank ceased to be a party to the agreement.

(3) The present members of the Commission are inclined to believe that, if cancellation actually takes place, the Commission would cease to exist and that the work contemplated under the agreement would be transferred to the Ministry of Public Works.

BRADEN

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[2] Reference here is to García Montes' cabled reply of May 29 to letter from LeBaron dated May 15 enclosing Draft Amendatory Agreement addressed in care of the Cuban Embassy in Washington; neither printed.

[3] Carlos Saladrigas, Administration candidate for the Presidency.

837.51 Cooperation Program/231 : Airgram

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

HABANA, June 9, 1944—9 : 10 a. m.
[Received June 12—8 a. m.]

A–1233. As I advised the Department in my telegram No. 545 of June 3, 8 p. m.,[5] President-elect Grau requested that work under the Export-Import Bank Credit be suspended pending his inquiry into the situation. I am confidentially informed that Vice President-elect Raúl de Cardenas has been making this investigation for Grau. Cardenas at first favored suspension, if not cancellation, of the entire credit but when he learned that only two million dollars had been spent up to the present, that only a total of three million had been borrowed under the credit, that payment had been made only for work which had been carried out according to specifications, and that the bulk of the work remained to be done, he apparently changed his opinion; he, of course, immediately saw the benefit which could accrue to the Grau administration by continuing the work after inauguration on October 10.

All this is further confirmation of the unfortunate result of the decision, reached when García Montes was in Washington, not to cancel the credit at that time but to wait until after the election. We are now placed in the position that if we cancel at this time we shall appear to be giving both Grau and Batista a slap in the face.

On the other hand, it is growing increasingly clear that little or no work will be accomplished by the Commission between now and October. Montoulieu, I am informed, does not expect to continue under Grau as President of the Commission and there is reliable information to the effect that he wishes to sever all connections with Government work and to seek private employment. Thus, he is not now in the position to take the strong measures—such as legal action leading to the cancellation of contracts which have not properly been carried out—necessary to the proper functioning of the Commission.

President Batista has not yet been informed of the receipt of the draft amendatory agreement mentioned in my airgram No. 1173 of May 31, 12 noon, but Montoulieu and García Montes have requested an audience of the President which they expect to take place within the next few days. It is difficult to see how Batista can give a satisfactorily comprehensive reply to this proposal in view of the election of the Opposition candidate. We are, therefore, faced with the probability that this whole matter will limp along until a considerable period after the new administration has taken over.

I strongly recommend against cancellation at the present time unless it is done on the written request of President Batista and with the

[5] Not printed.

written approval of President-elect Grau. Without these two documents on hand for publication at the time of cancellation, we should undoubtedly be criticized for mixing in internal affairs of Cuba and for taking action prejudicial to the incoming administration. In any event, no action should be taken without prior consultation with this Embassy.

I likewise request that no further projects be approved by the Bank until the entire situation has been clarified. There would appear to be no justification for our approving projects which in all probability will not be carried out under the control of the Bank.

. . . . . .

BRADEN

811.516 Export-Import Bank/984

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

No. 3305 WASHINGTON, June 13, 1944.

Reference is made to your airgram no. A–1173 of May 31, 1944, with reference to the $25,000,000 line of credit of the Export-Import Bank. There are transmitted a letter dated June 6, and its enclosure from Mr. Warren Lee Pierson,[6] President of the Export-Import Bank, explaining, among other things, the position of the bank in connection with certain provisions of the amendatory agreement and the inadvertent delay in making the text available to the Department.

Both the Department and the Export-Import Bank favor a cancellation of the credit for reasons that have already been made clear. In order to facilitate early consideration of its possible termination, it is suggested that, in your discretion, you discuss the matter discreetly and informally with Dr. Grau San Martín, President-elect, to ascertain whether he concurs with the views of this Government and whether he would be disposed to have the credit terminated at an early date.

If Dr. Grau agrees that the credit should be terminated shortly, you may then wish to approach the appropriate officials of the Cuban Government expressing the hope that a representative may be able to proceed to Washington in the near future to continue the discussions which were initiated in April with Dr. García Montes, looking to the possibility of reaching a mutually satisfactory agreement with the Cuban Government for the termination of the credit. While he was in Washington, Dr. García Montes indicated that he expected to return here this month and both the Department and the bank understood that the Cuban Government had every intention of resuming discussions of the credit.

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[6] Letter dated June 6 addressed to Ambassador Braden by Mr. Pierson and enclosed memorandum of June 3 by Mr. LeBaron; neither printed.

The Department, of course, does not wish to have this matter become involved in Cuban domestic politics and it would appreciate receiving your complete reports if any such tendency comes to light.

Very truly yours, For the Secretary of State:
DEAN ACHESON

811.516 Export-Import Bank/989 : Airgram

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

HABANA, June 13, 1944—noon.
[Received June 15—8 a. m.]

A–1264. See Embassy's airgram A–1173, May 31, 12 noon. Embassy confidentially informed that President Batista has now seen draft amendatory agreement recently sent to Oscar García Montes by Export-Import Bank. President stated that he could not sign such a document and that, in any event, question of cancellation must be decided by his successor. Batista plans to pay all outstanding amounts due the Bank on October 1, 1944 (total will be something over 3 million dollars) and thus leave Dr. Grau free to take such action as he may desire. Embassy understands Grau will be advised of this decision so that he may have complete background when he discusses the situation with Export-Import Bank in Washington.

Members of the Commission intend to submit their resignations to Grau on October 10 as they feel that, having been appointed by Batista, they should leave Grau free to make such changes as he may desire.

Embassy informed by Consulting Engineer that the contracts between the Commission and the contractors specify that the money to be paid them is from the loan granted Cuba by the Export-Import Bank. Therefore the cancellation of the line of credit without written request or agreement from the Cuban Government would immediately result in serious criticism of the Export-Import Bank by the contractors. I hope that the Department is keeping the Export-Import Bank fully informed of contents of my various communications so that Bank will take no further action without consultation with me.

BRADEN

811.516 Export-Import Bank/6–2844

Memorandum by the Chief of the Division of Financial and Monetary Affairs (Collado) to the Assistant Secretary of State (Acheson)

[Extract]

[WASHINGTON,] June 28, 1944.

MR. ACHESON: The proposed reconstruction of the municipal waterworks in Habana has been pending for approximately six years.

After considerable discussion a tentative line of credit in the amount of $15,000,000 was earmarked by the Export-Import Bank for this purpose. Arrangements were going forward with engineering and other plans, when the Bank informed Senators Byrd and Tydings that it would step aside in favor of private interests, (the Canadian American Company) which the Senators said were ready to do the job.

For almost a year now a Mr. John Beck of the Canadian American Company (CAC) has been negotiating with the Cubans. No contract has yet been signed. The Bank has not cancelled its line of credit in order to avoid any criticism regarding breach of faith. The Bank's position is clear, i.e., it is quite willing to stay out if private interests come to an agreement with the Cubans.

. . . . . .

E. G. COLLADO

811.516 Export-Import Bank/7–444 : Telegram

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

WASHINGTON, July 4, 1944—8 p. m.

569. From Pierson, Export-Import Bank. As indicated in memorandum accompanying my June 3 [*6?*] letter [7] we have refrained from approving additional projects for Comisión de Fomento Nacional pending clarification of issues discussed with García Montes. During recent visit to this office, Montoulieu pointed out that continuation of this policy would prevent the reorganized Comisíon [8] from carrying out its functions and duties inasmuch as pending requests for project approvals include integral parts of sanitation programs in Santiago and Guantánamo. Preliminary projects covering these entire programs were approved by us January 1943 and definitive projects relating to portions of work were approved prior to our March 29 memorandum to Concheso.[9] I feel we should not be in position of obstructing progress on these programs and strongly favor going forward with vital portions of work. Also failure to do so will jeopardize Comisíon's applications before WPB.[10] I assume this view is in accord with the last paragraph of your June 24 letter [11] which has just reached me

[7] See footnote 6, p. 979.

[8] The following officers were elected on May 4: Eduardo Montoulieu, President; Oscar García Montes, Treasurer; Jerónimo Acosta Recio, General Manager.

[9] Memorandum prepared by the Export-Import Bank and handed to Ambassador Concheso on March 29 just prior to his departure for Cuba to confer with President Batista on this subject; not printed.

[10] War Production Board.

[11] Letter addressed to Mr. Pierson by Ambassador Braden, copy of which was transmitted to the Department in despatch 7269, June 24, 1944, from Habana. The paragraph under reference stated the Ambassador's recommendation that full support be given to the projects already approved, but expressed his hope that no new projects would be approved before the visit of President-elect Grau to Washington. (811.516 Export-Import Bank/996)

and unless we hear from you to the contrary we will proceed on this basis. Whether we should later seek cancellation of commitment can be determined from outcome of further conversations with present Government, President-elect Grau or his representatives. [Pierson.]

HULL

811.516 Export-Import Bank/7–744 : Airgram

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

HABANA, July 7, 1944—2: 20 p. m.
[Received July 10—8 a. m.]

A–1493. For Warren Pierson, President Export-Import Bank. Reference your telegram No. 569, July 4, 8 p. m., 1944. I am in general agreement that all agencies of the United States Government should do everything possible to assist reorganized Commission in carrying out its work. To this end Embassy has been approving all applications for automobiles, trucks, and other equipment referred to us by Washington and approved by Consulting Engineers. Embassy has likewise supported applications of Commission to ORPA[12] and Cuban Import and Export Agency for gasoline, gas-oil, tires and tubes but we have pointed out that these Cuban agencies must assist the Commission within the regular Cuban allotments. However, unless the Commission makes forceful presentation of its case before these agencies, it is unlikely to receive the materials which it needs.

I am informed by Consulting Engineers that the following projects have been approved and allocations made by the Bank:

[Here follows a statement of Export-Import Bank credit approved for nine projects financed through the $25,000,000 credit plan, and a list of the credits already allocated, contracted for, and spent.]

As you will recall from my letter of June 24,[13] Grau has already been informed that only $11,000,000 of the credit will have been allotted when he takes office and only $3,000,000 expended. On this basis, he was anxious to have the credit continued. If the Bank now makes further allotments under the present administration, Grau could with much justification complain that we were arbitrary and not playing entirely fair with him.

Also, if the Bank now goes ahead and approves contracts for Guantánamo and additional contracts for some of the other projects, it will be increasingly difficult to cancel the credit if the Commission again falls down on the job. At the present time the Commission and

[12] Cuba's Office of Regulation of Prices and Supply.
[13] Not printed.

the new General Manager appear to be working hard to straighten out some of the delinquencies of the past. However, it should be observed that Montoulieu and García Montes aside from their other non-commission duties are now absent from Habana representing the Cuban Government at Bretton Woods [14] and that as a consequence the Commission is in charge of one of its newest members, Ruiz Williams, who necessarily is largely unfamiliar with the full details of the work. You will recall that one of the main reasons for the old Commission to fail was the fact that Lopez Castro [15] was absent so much of the time from Habana, thereby leaving the Commission without a head. This situation can easily result again if the President of the Commission is too long or too often absent.

In addition, we have the uncertainty of the coming change of government, with the probability that an entirely new Commission will be designated by Grau. We have no idea who these will be and, in any event, the change-over will of necessity bring about a slow-up in the work.

Under these circumstances, I question the advisability of letting any new contracts. The Commission has plenty of unfinished work (including contracts for Santiago, but none for Guantánamo) to put its teeth into, if it so desires, and I think that we should first see clear results on the contracts which have already been let before letting any new ones. While I appreciate that we should not be in the position of impeding sanitation improvements in Santiago de Cuba and Guantánamo, I may point out once more that the income of the present government has been and is more than sufficient to carry out this work without recourse to the credit.

BRADEN

811.516 Export-Import Bank/7–744

Memorandum by Mr. Eugene LeBaron of the Export-Import Bank of Washington [16]

[Extracts]

[WASHINGTON,] July 14, 1944.

Reference is made to Airgram No. 1493 of July 7, 1944 addressed to Mr. Pierson through the Secretary of State by Mr. Braden with further regard to the credit established in favor of the Republic of Cuba to aid in financing a public works program.

[14] Reference is to the United Nations Monetary and Financial Conference which met at Bretton Woods, New Hampshire, July 1–22, 1944. For correspondence regarding this Conference, see vol. II, pp. 106 ff.

[15] Amadeo López Castro, former President of the Commission.

[16] Transmitted to Havana in instruction 3414, July 19, not printed.

In view of an apparent misunderstanding as to procedure adopted by Eximbank, and certain inaccuracies in the figures cited in the above-mentioned airgram, the following statement is submitted:

[For statement, see facing page. Following the statement are paragraphs numbered 1, 2, and 3 (not printed), giving details of Export-Import Bank procedure in the operation of this credit.]

4. Eximbank has approved projects which it is now estimated will cost $23,622,000. The final cost of these projects will probably exceed this figure.

5. Eximbank will approve no new projects. The unallocated balance of the credit will be held as a cushion to cover Government authorized increases in wages and freight and other unusual unforeseen contingencies. The last project approved was approved September 29, 1943.

. . . . . .

7. Pursuant to an understanding reached late last month during conversations between Messrs. Pierson, Montoulieu and García Montes, Eximbank will continue to approve contracts for sub-projects necessary for the completion of any given project. Approval of independent sub-projects, such as new tributary roads, will continue to be held in abeyance. Ing. Montoulieu and the Bank agreed upon which sub-projects, the approval for which has already been requested by the Commission, are to be held in abeyance.

8. Total disbursements by Eximbank under the credit to date: $3,125,000. The Commission has informed Eximbank by cable that Eximbank may shortly expect a note for $280,000.

9. Eximbank is not anxious to "cancel the credit" for the sake of canceling the credit. It believes that the purpose for which the credit was established no longer exists. It is convinced that improved economic conditions in Cuba amply enable the Republic to finance the program out of current revenues. Although conversations were initiated because of the disintegration of the Commission as well as improved economic conditions, Eximbank limited itself in its efforts to have Cuba itself finance the program to pointing out (subsequent to the initial conversation with Dr. Concheso and the memorandum of March 29 handed to him) that the use of Cuba's own funds would redound to Cuba's benefit. This approach was adopted because the Agreement of April 8, 1942 offered Eximbank no alternative.[17]

LeB[aron]

[17] The cancellation terms as set forth in article 9 of the 1942 Agreement and quoted in full by Ambassador Braden in despatch 6341 of March 17, not printed, did not give the Bank the right to cancel the credit unilaterally (811.516-Export-Import Bank/989).

CREDIT NO. 294—REPUBLIC OF CUBA

Status as of July 14, 1944

Project Number	*Project Description*	*Original Approval*	*Final Approval*	*Contracts Awarded*	*Contract Price Plus Overhead*
1	Central Highway	$6,080,254.26	$7,438,144.73	$5,308,780.61	$7,438,144.73
2	Santiago Waterworks and Paving . .	3,247,797.76	3,340,702.49	792,480.60	950,976.72
3	Guantánamo Waterworks and Paving .	2,964,004.59	2,964,004.59	0	0
4	Rio Buey Irrigation	319,067.01	335,314.17	0	0
5	Refrigerated Warehouses	1,566,200.00	1,454,705.63	1,159,353.22	1,454,705.63
6	Agricultural Machinery	300,000.00	300,000.00	0	0
7	Tributary Roads	7,450,000.00	7,450,000.00	2,394,880.88	2,871,428.99
8	Country Roads	40,000.00	40,000.00	0	0
9	Telegraph Equipment	300,000.00	300,000.00	0	0
		$22,267,323.62	$23,622,871.61	$9,655,495.31	$12,715,256.07

837.51 Cooperation Program/8–2144

Memorandum by Mr. Eugene LeBaron of the Export-Import Bank of Washington [18]

[WASHINGTON,] September 2, 1944.

President-elect Grau San Martín called on Mr. Pierson yesterday afternoon accompanied by Dr. Guillermo Belt, Minister of Foreign Relations Designate, Dr. Gustavo Moreno, Minister of Public Works Designate, Dr. Germán Alvarez Fuentes, Minister of Agriculture Designate, two of Dr. Grau's nephews, U.S. Ambassador Braden and Mr. Willard Barber of the State Department. Also present were Messrs. Whittemore, Fitch and LeBaron of Export-Import Bank.

Mr. Pierson explained the present status of the Bank's credit to Dr. Grau and outlined the procedure which has been evolved for the operation thereof. Details were given on original approvals in principle by the Bank followed by definitive approvals based upon final project reports. Considerable time was spent on the manner in which various projects have been subdivided into sub-projects and contracts awarded for such sub-projects. An account was given to Dr. Grau on the overhead which is added to contract prices to determine the presently estimated final cost of any project or sub-project.

Dr. Grau was very much interested in the construction of a network of country roads throughout the Island which he believes will best serve the interests of Cuba and the masses of small agricultural producers and isolated regions. Following this expression of Dr. Grau's interest in country roads, considerable time was devoted to an examination of tributary roads, the manner in which they had been chosen, how contracts had been awarded and what proportion of the credit had been allocated for this purpose in the different provinces.

Dr. Grau and his associates indicated that it might be preferable to cancel numerous contracts for tributary roads and other projects in order to use funds thus released to finance the network of country roads. After considerable discussion, Dr. Grau and his associates conceded that a large portion of money already spent would be irretrievably lost if contracts calling for the completion of the balance of the work were cancelled. This matter, however, was left for further discussion this morning by Messrs. Moreno, Alvarez, Grau (nephew), Fitch and LeBaron.

Dr. Grau handed Mr. Pierson a copy of an undated and unsigned memorandum [19] listing road building equipment which he believes

[18] Transmitted to Habana in Department's instruction 4452, September 11, not printed.

[19] Not printed.

would be required for the execution of the country road program. Dr. Grau was told that numerous items appearing in his memorandum, which is attached hereto, were in short supply and that it probably would be considerable time before the equipment listed would be available. This point was repeated and stressed in order that Dr. Grau might not be disappointed inasmuch as he had stated that he would like to get between fifteen and twenty complete sets of such equipment to Cuba by October 10.

Further examination of the credit and the allocation of funds thereunder indicated that the first six projects approved by the Bank probably should not be disturbed. Of the original commitment for tributary roads, approximately $4,500,000 could be diverted for country roads and other purposes without jeopardizing funds already spent or allocated for works in this category. Projects 8 and 9, aggregating $340,000, which originally were approved to survey country roads and acquire telegraph equipment, could likewise be devoted to other purposes. These changes would thus release close to $5,000,000 which could be employed to finance new projects.

Dr. Alvarez raised the question of irrigation. The status of irrigation projects, as briefly summarized in the agenda of August 30,[20] was explained to Dr. Alvarez and the President-elect. It was conceded by those present that funds still available under the credit could be used for country roads or irrigation, or divided between these two, but that if the entire amount were allocated for one class of work there would be no funds available for the other. It was indicated to us that the President-elect and his associates will discuss this point and advise later.

Dr. Grau was requested to outline his plans for the Commission. He replied that it was his intention to have Dr. Moreno be President of the Commission as well as Minister of Public Works. The President-elect thought that it would be more efficient to have the two organisms operate in harmony and coordination rather than at cross-purposes. Dr. Moreno added that the machine shops maintained by the Ministry, which are very extensive and efficient, would be available for the repair and maintenance of machinery and equipment owned and operated by the Commission. The Ministry apparently has considerable space which could be used to house the Commission, thus avoiding payment of rent for quarters for the latter. Dr. Mo-

[20] "Agenda of Matters to be Discussed with His Excellency Dr. Grau San Martín," drawn up by Mr. LeBaron on August 30, 1944.

reno stressed the fact that the Commission would not be absorbed by the Ministry and that its accounts and operations would be kept entirely separate. (The members of the Bank's staff who were present are somewhat skeptical over the success of Dr. Moreno's plans to close the gap between the Commission and the Ministry.) He was anxious to create the impression that his primary concern was to effect all economies possible in order that Export-Import Bank's funds be used most efficiently and without waste.

Mr. Pierson brought up the matter of the Havana Waterworks credit and after an explanation of the present status thereof to Dr. Grau, the President-elect stated that he had no objection to the cancellation of the credit at this time by the Bank. Dr. Belt however, called Dr. Grau's attention to the possible unfavorable political reaction to such cancellation following upon the heels of Dr. Grau's visit to Washington, particularly in view of the fact that Dr. Grau's opposition to and disapproval of Dr. Menocal's [21] relations with the Canadian American group has been publicly manifested in Cuba. Mr. Braden concurred in the latter view and expressed his opinion to the effect that a delay in cancellation would probably be preferable. Mr. Pierson acceded to such a request on the part of Dr. Grau.

. . . . . .

LEB[ARON]

837.51/10–344 : Telegram

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

HABANA, October 3, 1944—6 p. m.
[Received 10 p. m.]

874. The ceremony announced in the second paragraph of my airgram 2183 of September 27, 1 p. m.[22] took place at the Palace at 1 p. m. today, in the presence of the members of the Cabinet and the press. At this ceremony, which President Batista termed a "symbolic" one, he informed me that the Comisión de Fomento had remitted through the Chase National Bank, for Export-Import Bank's account, a total $4,308,917.15 thereby, he said, fully liquidating all advances (including interest) received up to September 30, 1944 under the $25,000,000 credit.

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[21] Raúl G. Menocal, Mayor of Habana.

[22] Not printed; this ceremony was staged to give maximum publicity to the announcement by President Batista of the liquidation of financial obligations incurred through Export-Import Bank credits.

Subsequent inquiry of the Chase Bank revealed that the remittances under reference had been made and that they consisted of $4,286,500 for principal and the balance for interest charges.

BRADEN

837.51 Cooperation Program/11–644

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

No. 8188 HABANA, November 6, 1944.
[Received November 10.]

SIR: I have the honor to refer to the Department's instruction No. 4591 of October 23, 1944 [23] enclosing the original and copies of a letter addressed by President Warren L. Pierson of the Export-Import Bank to Dr. Raúl G. Menocal, Mayor of Habana, informing him that the credit in the amount of $15,000,000 to finance the rehabilitation of the Habana waterworks has been cancelled. The original of this letter has now been sent to Mayor Menocal.

When I informed President Grau of this cancellation before sending the letter forward to the Mayor, the President asked whether there would be any possibility of his Government utilizing this credit in the construction of country roads and other similar projects which he has discussed with the Export-Import Bank. He pointed out that only about $4,000,000 of the $25,000,000 credit remains for these projects and it was his hope that further funds might be made available.

I replied that I was quite certain that it would be impossible to utilize the $15,000,000 credit which had been granted for the Habana waterworks as this was quite separate and distinct from the $25,000,000 credit which is now being utilized by the Cuban Government. The Department will recall, however, that when Dr. Grau visited Mr. Pierson at the Export-Import Bank it was indicated that the amount of the credit, based on a careful study, might be increased beyond the $25,000,000 (now reduced to slightly less than $21,000,000 by recent repayments) authorized. Therefore, in due course it may become desirable to consider such an increase. There is no immediate rush in this matter, but it is a factor we should bear in mind for appropriate action at the proper time and, of course, the efficiency with which the Grau Administration handles projects already authorized will be an important consideration.

Respectfully yours, SPRUILLE BRADEN

[23] Not printed.

REPRESENTATIONS TO THE CUBAN GOVERNMENT REGARDING TAXATION OF UNITED STATES GOVERNMENT AGENCIES IN CUBA[24]

811.512337 Shipping/17

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

No. 2916 WASHINGTON, February 21, 1944.

SIR: The Department refers to previous correspondence with the Embassy concerning the general question of tax exemption accorded United States' undertakings in Cuba, particularly the Embassy's despatches numbers 2421 of March 10,[25] 3411 of June 9,[25] 3555 of June 23,[26] 3623 of June 29,[25] all of 1943, and transmits for the Embassy's information a copy of a letter dated January 19, 1944, with enclosures,[27] from Mr. Earl B. Wilson, Director, Sugar Division, Commodity Credit Corporation. As you will observe from Mr. Wilson's letter, the Department is requested to secure relief from payment of the Cuban gross sales tax of 2.75 per cent and the one per cent surcharge for the Railway Retirement Fund which it is sought to assess against certain refined sugars now in storage in Cuba, title to which is vested in the Federal Surplus Commodities Corporation, which originally acquired the sugar for Lend-Lease purposes. A more detailed identification of the sugars is set out in a letter dated January 3, 1944 from the United Railways of Havana addressed to Mr. José A. Ramos, Acting Special Representative, Commodity Credit Corporation.

You are requested, if you perceive no objection thereto, to take the matter up with the appropriate Cuban authorities and request that such steps be taken as may be necessary to prevent the assessment on the sugars of the 2.75 per cent gross sales tax, and also one per cent contribution to the Railway Retirement Fund.

The Department is not disposed at this time to take any action concerning the possible increased labor charges on the sugars.

Very truly yours, For the Secretary of State:
DEAN ACHESON

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[24] Continued from *Foreign Relations*, 1943, vol. VI, pp. 259–279.
[25] Not printed.
[26] *Foreign Relations*, 1943, vol. VI, p. 273.
[27] Letter and enclosures not printed.

811.5l2337 Shipping/7–1344

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

No. 4400 WASHINGTON, August 22, 1944.

SIR: The Department refers to its instruction no. 1830 of June 19, 1943,[28] the Embassy's despatches no. 3555 of June 23, 1943,[29] no. 3623 of June 29, 1943,[28] and no. 6194 of March 4, 1944,[28] all concerning in part exemptions for the Defense Supplies Corporation from certain taxes on molasses shipped from Cuba.

In despatch no. 3555 it is stated, with reference to the exemption from the 2.65 percent and 3.60 percent taxes on the total ocean freight charges on molasses shipments that "these taxes are not assessed on the owners or exporters of the merchandise (in this case the Defense Supplies Corporation), but on the owners and operators of the vessels on which the merchandise is shipped. The Cuban Government has been collecting these taxes from the War Shipping Administration . . .".[30]

Confirmation of this fact appears in (enclosure to despatch no. 6633 of April 15, 1944[28]) the statement that ". . . WSA is passing on to the Defense Supplies Corporation the amount of these taxes assessed on the movement of Cuban molasses purchased by it . . ."

The Embassy's note no. 674[28] (enclosure to despatch no. 3623 of June 29, 1943) to the Foreign Office limited its request for exemption for the Defense Supplies Corporation to the one percent railroad retirement tax.

In the Department's instruction no. 2917 of February 21, 1944,[28] the Embassy was requested to ascertain when a definite response would be made by the Foreign Office to its note no. 731 of October 15, 1942[28] concerning exemption from taxes on its earnings in Cuba on vessels owned by or chartered to the War Shipping Administration. The Embassy's despatch no. 6194, of March 4, 1944, in reply to instruction no. 2917, indicated that it had not yet received a definite reply to its note no. 731 of October 15, 1942; that the representations theretofore made in behalf of the Defense Supplies Corporation were limited to relief from payment of the one percent railroad retirement tax and that the request of the Corporation for exemption from ocean

[28] Not printed.
[29] *Foreign Relations*, 1943, vol. VI, p. 273.
[30] The omissions in this instruction are indicated in the original.

freight taxes was merged in the claim for general tax exemption of the War Shipping Administration. The status of the matter at that time therefore was stated by the Embassy [33] as follows:

"A note to be sent to the Foreign Office reiterating the principle of no taxation of foreign government projects. It was decided that this note should refer to a previous exchange of notes which took place last year and by which the Cuban Government recognized this general principle. It was likewise decided that the note should refer to the specific cases on which exemption has not yet been accorded. This note, which bears the number 172 of March 1, 1944, has now been forwarded to the Ministry of State. A copy is enclosed for the information of the Department.[34]

. . . . . .

"Likewise, after the receipt of replies to notes 172 and 173,[35] I contemplate again raising with the Cuban Government, (in accordance with the Department's instruction No. 2917) the question of exemption from the 2.75 percent tax and the 3.60 percent tax on WSA shipping. (On the basis of preliminary study, I am inclined to believe that we would not be justified in too strongly urging the Cuban Government to take action which would deprive them of such a substantial amount of revenue which they have been receiving for many years. While it is of course contrary to established international procedure for one government to tax another government, this appears to be a somewhat special case. So long as the private companies—such as the United Fruit Company, the Ward Line, et cetera—operated the vessels plying between Cuba and the United States, these companies of course paid the taxes under reference. If, due to the fact that all of these vessels are now being operated by WSA, exemption from taxes were insisted upon, the Cuban Government would be deprived of a substantial amount of the revenue which it has been accustomed to receive and which, presumably, constitutes a not insignificant portion of its total budget. My efforts, for the present, therefore, will probably be limited to an effort to obtain from the Cuban Government a study of this problem, so that further consideration may be given to the whole question by the Department and WSA)".

The Department, after careful consideration of all the relevant facts, and consonant with its position in the remission of United States federal and state taxes on activities of foreign countries in the United States, now desires that you promptly seek an opportunity to take up the matter with the Foreign Office emphasizing the long period during which the question has been pending, and press for an early and definite reply to the Embassy's note no. 731 of October 15, 1942.

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[33] In despatch 6194, March 4, 1944, from Habana, not printed.

[34] Not printed.

[35] Note 173, dated February 29, 1944, from Ambassador Braden to the Cuban Foreign Office, not printed; it requested exemption from the 2.75 percent gross sales tax and the 1 percent railroad retirement tax on Cuban refined sugars acquired by the Federal Surplus Commodities Corporation (811.512337 Shipping/23). This note was drawn up in conformity with Department's instruction 2916, *supra*, and a copy was transmitted to the Department in despatch 6194 of March 4, 1944, from Habana (not printed).

The Department encloses for your information *only* a copy of a letter received from the Defense Supplies Corporation dated July 13, 1944.[36] It desires at this time to refrain from acting on the request of the Corporation so as not to prejudice its previous position on the recognition by Cuba of the principle of the exemption from taxation of this Government's projects and transactions.

Should it later become desirable, because of Cuba's economy to make some adjustment as to amounts to be remitted, that question will receive the Department's consideration, but in the meantime, the Embassy should keep the matter actively before the Foreign Office until a satisfactory reply is received to note no. 731 of October 15, 1942.

Very truly yours,

For the Secretary of State:
GREEN H. HACKWORTH
Legal Adviser

811.512337 Shipping/8–2844

The American Chargé in Cuba (Nufer) to the Cuban Minister of State (Mañach) [37]

No. 759 HABANA, August 26, 1944.

EXCELLENCY: I have the honor to refer to previous correspondence with Your Excellency's Government concerning the taxation of United States Government undertakings in Cuba, and particularly to this Embassy's note no. 731 of October 15, 1942,[36] in which the hope was expressed that in view of the fact that my Government does not collect taxes on earnings in the United States derived by other governments from the operation of ships, it would be found possible to discontinue the collection of the Cuban taxes on the revenue obtained in Cuba by vessels either owned by or chartered to the War Shipping Administration, an official agency of the United States Government.

In its note no. 1124,[38] Your Excellency's Government replied that this matter was under study and that calculations were being made by the appropriate agencies in order to ascertain to what extent Cuba's economy would be prejudiced by the suppression of these taxes so that, in the event it were found that the attendant loss of revenue would not be too severe, the Embassy's request might be granted.

The possible suppression of these taxes was the subject of several inquiries on the part of the Embassy, but in a note (no. 2676) of Sep-

[36] Not printed.
[37] Copy transmitted to the Department in despatch 7774, August 28, 1944, from Habana; received August 30.
[38] Dated November 14, 1942; not printed.

tember 7, 1943,[42] Your Excellency's Government indicated that the problem was still under study, and to date no definitive reply has been received.

In view of the long period of time which has elapsed since the Embassy first brought this matter to the attention of Your Excellency's Government and of the fact that your Government, in its note no. 1125 of November 14, 1942,[42] on the general question of taxation of United States Government undertakings in Cuba, expressed its agreement with the principle that foreign governments should not be taxed on their property devoted to governmental purposes, I venture to express the hope that it will now be possible for it to render an early favorable decision with regard to the taxes under reference.

Please accept [etc.] ALBERT E. NUFER

837.512/8–2444

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

No. 4432 WASHINGTON, September 5, 1944.

SIR: The Department has under study a survey of the whole tax situation in Cuba touching this Government's agencies there and their operations, and desires the Embassy to compile and transmit to the Department a statement showing

(*a*) The governmental agencies operating in Cuba and the nature of their operations;

(*b*) The nature of the taxes imposed upon them and/or their operations (if the agency is a Cuban corporation, the statement should show how and when it was organized, by whom the stock is owned, the nature of its business, and other pertinent facts necessary to obtain an overall picture);

(*c*) Taxes which have been remitted by the various and sundry decrees issued by the Cuban Government, and whether taxes previously paid have been refunded, and the amount thereof.

This Government has constructed in Cuba some airports, and perhaps other installations, which following the conclusion of the war, are to be turned over in whole or in part to the Cuban Government. A list of these installations should be given and a statement made as to the tax situation concerning them.

Some of the data herein requested may be taken from the enclosure to the Embassy's despatch no. 6633 of April 15, 1944,[42] which the Department has found very helpful.

Very truly yours, For the Secretary of State:
DEAN ACHESON

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[42] Not printed.

811.512337 Shipping/9–1344

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

No. 7879 HABANA, September 13, 1944.
[Received September 16.]

SIR: Supplementing my air mail despatch no. 7774 of August 28, 1944 (File no. 851.2)[43] and previous correspondence regarding the question of the exemption from taxation of the revenues obtained in Cuba by vessels owned by or chartered to the War Shipping Administration, I have the honor to enclose a copy and translation of Foreign Office note no. 2261 of September 7, 1944,[43] setting forth the Cuban Government's views in the matter.

It will be noted that the Embassy's request has again been referred to the appropriate Cuban authorities and that the Foreign Office will advise the Embassy as soon as a definitive reply has been received. It will also be noted that, as on previous occasions, the Cuban Government stresses the importance of the revenues in question and the difficult fiscal situation with which it would allegedly be confronted if the exemption requested by the Embassy were granted. It points out that inasmuch as practically the entire foreign trade of Cuba is presently carried in War Shipping Administration vessels, the loss of revenue involved would be especially severe.

In view of the tenor of the Cuban Government's note, it seems highly improbable that a definitive reply to the Embassy's request will be forthcoming before October 10.[44] It is therefore suggested that further representations be held in abeyance until the new administration assumes office, unless the interested agencies of our Government should decide that in view of the arguments adduced by the Cuban Government, which appear to merit consideration (please see last paragraph of the Embassy's despatch no. 1567 of November 20, 1942, File 851.2),[45] it would not be advisable to press the matter further.

I would appreciate receiving the Department's further views and comments in the matter.

Respectfully yours, ALBERT F. NUFER

811.512337 Shipping/11–2044

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

No. 8265 HABANA, November 20, 1944.

SIR: I have the honor to refer to the Department's air mail instruction no. 4638 of November 10, 1944 (file no. 811.512337 Shipping/-

[43] Not printed.
[44] The Batista Administration was succeeded by that of Ramón Grau San Martín on October 10, 1944.
[45] *Foreign Relations*, 1943, vol. VI, p. 259.

9–2644),[48] concerning exemption from the 2.75 percent gross sales tax and the 1 percent railroad retirement tax obtained on behalf of the Federal Surplus Commodities Corporation on its purchases of Cuban refined sugars. The Department encloses a copy of a letter dated October 18, 1944,[48] from the Commodity Credit Corporation, stating that the refined sugar purchases under reference are now being made by the Commodity Credit Corporation and requesting the Embassy therefore to undertake to obtain similar tax exemptions for that agency.

This matter has been discussed with Mr. Nelson Norregaard, the representative in Cuba of the Commodity Credit Corporation, and it is his opinion, in which the Embassy concurs, that the Commodity Credit Corporation is already exempt from all Cuban taxes in connection with its refined sugar purchases under Article 2 of Cuban Decree no. 414 of March 2, 1944 (a copy and translation of which were transmitted to the Department with despatch no. 6192 of March 4, 1944),[48] which states that:

"The stipulations contained in Decree no. 14 of January 8, 1943, are made to include Defense Supplies Corporation, Commodity Credit Corporation and their agents, with respect to the invert molasses and sugars of the 1944 crop purchased by said entities, as well as with respect to the refined sugars which may be produced from the sugar of said crop for account of Commodity Credit Corporation."

In view thereof the Embassy does not believe that it will be necessary to request of the Cuban authorities any further tax exemptions for Commodity Credit Corporation refined sugars.

Respectfully yours, For the Ambassador:
ALBERT F. NUFER
Counselor of Embassy
for Economic Affairs

811.512337 Shipping/11–2344

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

No. 4684 WASHINGTON, November 23, 1944.

SIR: The Department refers to the Embassy's despatch no. 7879 of September 13, 1944 concerning the exemption from taxation of the revenues obtained in Cuba by vessels owned by or chartered to the War Shipping Administration.

Now that the new administration has assumed office, the Department is of the opinion that the Embassy should press for a prompt

[48] Not printed.

and definite reply to its representations on this subject as originally presented to the Cuban Government in note no. 731 of October 15, 1942.[49]

Very truly yours,

For the Secretary of State:
G[REEN] H. H[ACKWORTH]

837.512/11–3044

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

No. 8333 HABANA, November 30, 1944.

SIR: In response to the Department's air mail instruction no. 4432 of September 5, 1944 (file no. 837.512/8–2444), I have the honor to enclose a summary, prepared by Foreign Service Clerk Clarisse Dubreuil, of the undertakings of an economic nature of various agencies of our Government in Cuba and their tax status,[49] which will be supplemented by a similar statement covering the military and naval projects of our Government.

While the Cuban Government, in its note no. 1125 of November 14, 1942,[49] recognized the principle that one sovereign government should not tax another sovereign government (please see the Embassy's despatch no. 1567 of November 20, 1942 [50]), it has, despite the Embassy's representations, never issued a blanket tax exemption covering all our Government's undertakings in Cuba.

In response to specific requests from the Embassy, however, it has, by decree, resolution or otherwise, granted complete tax exemption to each of the several undertakings, with only few exceptions. These exceptions, as the Department is aware, refer to the 2.75 percent and 3.60 percent taxes on the gross revenues obtained in Cuba by vessels owned by or chartered to the War Shipping Administration; the 2.75 percent gross sales tax on the construction of the Nicaro Nickel Company's nickel oxide plant at Lengua de Pájaro, Oriente; and the 2 percent export tax on the reexportation of certain equipment used in the construction of the Nicaro project which had been acquired on a loan or rental basis. The Embassy is continuing its efforts to obtain the desired exemptions in these particular cases.

Respectfully yours,

For the Ambassador:
ALBERT F. NUFER
Counselor of Embassy
for Economic Affairs

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[49] Not printed.

[50] Despatch 1567, *Foreign Relations*, 1943, vol. VI, p. 259, contains a more detailed treatment of note 1125.

REPRESENTATIONS TO THE CUBAN GOVERNMENT TO PROTECT AMERICAN-OWNED TERMINAL COMPANIES IN CUBA FROM IMPAIRMENT OF THEIR CONCESSIONARY RIGHTS

800.8836/1163

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

No. 2280 WASHINGTON, September 22, 1943.

SIR: Further reference is made to your despatch no. 4141 of August 12, 1943 [51] in relation to recent developments in connection with the Habana docks situation.

The Department has received communications from the New York and Cuba Mail Steamship Company and United Fruit Company from which it appears that the latter company and the Cuban American Terminal Company, which is understood to be a wholly owned subsidiary of the New York and Cuba Mail Steamship Company, are the owners of concessions to operate certain warehouse and terminal facilities in Habana under definite regulations and tariffs which were adopted by mutual agreement between the companies and the Government of Cuba.

It seems clear that provisions of General Order no. 8, issued by the Cuban Maritime Commission on May 4, 1943, as modified by General Order no. 12, issued on August 10, 1943, constitute an infringement of the companies' rights under their respective concessions in at least the following respects:

1. By fixing a free storage period of greater length than the companies are required to accord under their concessions;
2. By fixing storage rates at less than the maximum rates which the companies are permitted by their concessions to charge during the first month of storage; and
3. By prohibiting the companies from exercising the right granted by their concessions to collect double storage charges in certain circumstances.

It is represented that, in reliance upon the terms of their concessions, which accorded them the right to operate under definite regulations and to collect charges within certain fixed maximum limits, the operating companies invested large sums of money to provide the port with adequate and modern facilities. The contentions of the operating companies to the effect that the rights which they acquired by the respective concessions cannot lawfully be modified by unilateral action of the Cuban Government appear to be fully supported by decisions heretofore rendered by the Supreme Court of Cuba.

Consequently, it is suggested that unless you perceive objection thereto, a communication be addressed to the Foreign Office requesting

[51] Not printed.

that the Cuban Government promptly take such steps as may be necessary to enable the companies mentioned in the second paragraph of this instruction, and also such other American-owned companies as may be similarly situated, to conduct their operations in accordance with the terms of their respective concessions.

It is also suggested that you take such other steps as may in your judgment serve to effect an expeditious settlement of the matter.

Very truly yours, For the Secretary of State:
BRECKINRIDGE LONG

800.8836/1208 : Telegram

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

HABANA, December 15, 1943—3 p. m.
[Received 11 : 12 p. m.]

830. The note [52] mentioned in Department's telegram number 1054 of December 14, 1 p. m.,[53] states that the Cuban Government's criterion is contrary to that maintained by the terminal companies and that therefore, it considers their demands legally unjustified.

This opinion is based on arguments contained in a lengthy memorandum [53] attached to the note the gist of which is that the uniform tariffs and regulations for the port of Habana established by Decree No. 665 of 1920 which the terminal companies invoked had fallen into disuse by the unilateral action of the companies in increasing free storage periods, charging rates, etc., and that this situation was confirmed by Decree No. 1896 of July 10, 1942, which suspended those tariffs in all their parts. (Decree No. 1896 issued by the Ministry of Labor cancelled the tariffs and regulations established by Decree No. 665 declaring that they had fallen into disuse and had been substituted by the tariffs approved by the Intelligence Commission under a law of 1924. The companies did not apparently specifically protest against Decree No. 1896 assuming, it seems, that having been issued by the Ministry of Labor it affected only that part of Decree No. 665 referring to wages.)

The memorandum states that it was the Cuban Maritime Commission which, at the recommendation of the representative of the WSA,[54] on December 30, 1942, issued general order No. 7, reducing the free storage time to the period specified in decree No. 665 to relieve a congested condition on the docks brought about by the alleged leniency of the companies in this regard.

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[52] Cuban note 3567, December 2, 1943, from Cuban Minister of State Emeterio S. Santovenia, was transmitted to the Department in despatch 5420, December 15, 1943, from Habana; neither printed.

[53] Not printed.

[54] War Shipping Administration.

The memorandum discusses subsequent general orders leading up to general order No. 12 of August 10, 1943 alleging with reference to the latter that it does not infringe any pre-existent rights of the companies because:

(1) Their concessions do not contain the provisions which according to my note have been infringed;
(2) Because decree No. 665 merely promulgated general rules applicable to all terminals, which rules competent authorities could subsequently modify;
(3) Because the companies themselves failed to live up to those rules; and
(4) Because the storage rates were not modified by general order No. 12 nor by the preceding orders which merely established general rules for tallying computation of free time; and for day to day charges on merchandise under the faculties granted the Cuban Maritime Commission by decree No. 1855 of July 7, 1942.

The memorandum states that the Cuban Maritime Commission and all orders and regulations which it has or may issue are, in accordance with decree No. 1855, in force for the duration of the war and are essential to the war effort of the United Nations. (A copy and translation of decree No. 1855, establishing the Cuban Maritime Commission, accompanied the Embassy's despatch No. 397 of July 11, 1942.) [55]

The memorandum ends with a brief history of the changes which have occurred from time to time in the several concessions under which the docks operate, apparently seeking to prove that the concessions have not been infringed by the general orders under reference.

While every effort should, in my opinion, be made to confirm and uphold the terminal companies' concessionary rights, I believe that before any specific recommendations can properly be made, a careful study by legal experts of the agreements (?) is required. I do not however, consider that the argument that the terminal companies vitiated their respective concessions by failing to apply the maximum tariffs authorized by decree No. 665 is a valid one. On the other hand, the companies may have weakened their legal position by their apparent failure to protest at the time against the provision of decree No. 1896 of July 10, 1942, mentioned above which declared null and void at least part of the tariffs and regulations established by decree No. 665.

A copy and translation of the note and memorandum were forwarded by courier today.

BRADEN

[55] Not printed.

800.8836/1216

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

No. 5653 HABANA, January 11, 1944.
[Received January 14.]

SIR: Supplementing the Embassy's air mail despatch No. 5420 of December 15, 1943 (file No. 815.6), transmitting a copy and translation of the Cuban Government's note No. 3567 of December 2, 1943,[56] regarding the rights claimed by the several American-owned terminal companies under their respective concessions, I have the honor to enclose a copy and translation of the companies' reply [57] to the arguments presented by the Cuban Government. This reply has been prepared jointly by the three leading American-owned terminal companies and is signed by their local managers and countersigned by their attorneys.[58]

While the companies' reply contains a few weak points, their arguments are, in the Embassy's opinion, on the whole sufficiently sound successfully to refute the Cuban Government's contention that their respective concessions had become impaired or even invalid. The reply points out that "these concessions are, in reality, administrative contracts of public law which, as such, cannot be the subject of modifications through the exercise of the sole volition of the Government that granted them".

The Department will doubtless wish to study the terminal companies' reply carefully in conjunction with the Cuban Government's note No. 3567 of December 2, 1943, and in the event it agrees with the Embassy that the terminal companies' concessions are still in full legal force, I hope that I may be instructed to present a strong protest to the Cuban Government in reply to its note No. 3567, and to demand that the rights of the terminal companies be upheld.

Prompt action along the lines suggested appears all the more desirable in view of the promulgation of Decree No. 2 of January 3, 1944, of which a copy and translation are enclosed.[57] Decree No. 2, in addition to providing for a 15 percent wage increase for all Habana port workers (*except for handling sugar*), prohibits the terminal companies from increasing their charges to local importers and exporters to offset this added expense. (Please see the Embassy's strictly confidential telegram No. 18, January 8, 1944, 4 p. m.[57])

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[56] Neither printed.
[57] Not printed.
[58] Havana Docks Corporation, United Fruit Company, and Compañía Terminal Cubana Americana. The managers and attorneys representing these companies were Antonio Rosado and Oscar Montero, respectively, for Havana Docks, Isidoro González and Jorge E. de Cubas for United Fruit, and C. H. C. Pearsall and Carlos Figueredo for Compañía Terminal.

The terminal companies propose to protest against Decree No. 2 through the prescribed legal channels on the ground that it violates the terms of their concessions. They will demand the right to raise their rates sufficiently to offset the increase in wages. If their protest is accepted, it is their intention to make a corresponding increase in their charges to local importers and exporters after thirty days' advance notice. Should their protest be denied, however, the companies intend to seek the help of the steamship lines, requesting them to increase freight charges on incoming vessels sufficiently to enable them to reimburse the companies for their additional out-of-pocket expenses.

While the second alternative mentioned above would, if practicable, afford the companies financial relief, it would, of course, in no way settle the fundamental issue involved, namely, whether the terminal companies have any concessionary rights or whether the Cuban Government, by such measures as Decree No. 2, may order increases in the companies' expenditures while at the same time restricting their revenues.

The companies maintain, and I am inclined to agree, that these measures are of a confiscatory nature and they fear that unless a strong restraining influence can be placed on the Cuban Government, further measures of a like nature may be enacted, with the result that the companies may eventually lose their entire investments in these properties.

The Department, in view of the seriousness of the situation, may wish to bring it forcibly to the attention of the Cuban Ambassador in Washington, in addition to instructing me to present a strong protest to the Cuban Government here.

In view of the urgency of this matter, I would appreciate receiving a reply at the Department's earliest convenience.

Respectfully yours, SPRUILLE BRADEN

800.8836/1216

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

No. 2890 WASHINGTON, February 9, 1944.

SIR: Reference is made to your airmail despatches nos. 5420 of December 15, 1943 [61] and 5653 of January 11, 1944, and enclosures, in relation to the concessions of American-owned terminal and warehouse companies in Habana.

It is suggested that, unless you perceive objection, you address a note to the Ministry of State stating that this Government has given careful consideration to the contents of the memorandum enclosed with the Minister's note of December 2, 1943,[61] but that it is constrained

[61] Not printed.

to inform the Cuban Government of its views that the contentions advanced in support of the Government's position (summarized at pages 5–6 of the translation of the memorandum) are effectively refuted in the memorandum which the companies submitted to you on January 5, 1944, a copy of which you may enclose with your note to the Ministry.

You may observe that it seems to be clear that the original concessions were in the nature of contracts between the companies and the Government ("administrative contracts of public law") evidenced on the one hand by petitions addressed to the Government by the companies setting forth proposed tariffs and regulations for the construction, operation, and maintenance of terminal and warehouse facilities, and, on the other hand, by decrees of the Government granting the petitions on the basis of the terms proposed. It also seems clear that the action taken in 1920 culminating in the issuance of Decree No. 665 was not the result of unilateral action on the part of the Government, as alleged in its memorandum, but the result of a petition of the terminal companies proposing that the regulations and tariffs fixed by the various individual concessions be supplanted by uniform regulations and tariffs to be applicable to all concessionaires. This action on the part of the companies and the acceptance of the proposals by the Government constituted a modification, by mutual agreement of the parties, of the terms of the original concessions and cannot properly be regarded as constituting an acknowledgment by the companies of any alleged right of the Government to modify unilaterally the terms of the concessions.

With specific reference to the contention advanced in the Government's memorandum to the effect that the rights of the companies under their concessions to regulate, within certain maximum limits, storage charges were terminated by a decree issued prior to the issuance of the decrees referred to in the Department's instruction of September 22, 1943,[62] that is, Decree No. 1896 of July 10, 1942, you may make the following observations:

(*a*) It is specifically stated in the decree that the regulations and tariffs contained in Decree No. 665 of April 26, 1920, which are being cancelled, are those which "have been substituted by the tariffs approved by the Intelligence Commission" in 1925 and which are described in the third "Whereas" of the decree under discussion as "special tariffs for laborers, longshoremen, lightermen, and tally clerks"; and

(*b*) Even if the decree could be properly regarded as purporting to cancel tariffs and regulations governing storage charges and free time, it is pointed out that the contention of the companies that rights vested in them by their respective concessions cannot lawfully be unilaterally modified by the Cuban Government by such a decree appears

[62] Instruction 2280, p. 998.

to be fully supported by decisions of the Supreme Court of Cuba, which decisions are apparently ignored in the memorandum of the Cuban Government.

You may add that it is the view of this Government that such other relevant contentions as are set forth in the memorandum of the Cuban Government appear to be adequately met by the observations contained in the memorandum submitted on behalf of the companies, and require no elaboration.

You may also point out that in reliance upon the terms of their concessions which accorded them the right to conduct their operations and collect charges within certain fixed maximum limits, and in the light of principles of Cuban law that such concessions were not subject to modification by unilateral action, the American interests involved invested large sums of money to provide the port with adequate and modern facilities. Yet the orders complained of purport not only to modify unilaterally the terms of the concessions by depriving the companies of the right, *inter alia*, to collect double charges for goods left in storage beyond a specified period, but also to substitute therefor a surcharge under the guise of "sanction for delay" in withdrawing merchandise from warehouses, which surcharges inure not to the benefit of the companies owning the warehouses but to the Government itself, apparently to be used for the construction of Government warehouses to compete with warehouses established by the companies.

It is suggested that you also state that the situation created by the orders complained of, and also that created by Decree No. 2 of January 3, 1944 providing for a 15 percent wage increase for port workers and at the same time purporting to "freeze" at present rates the charges collected by the companies for services rendered, are viewed with serious concern by this Government and that you have accordingly been instructed to enter a formal protest and to request that the Government of Cuba take such steps as may be necessary to correct the situation. In that relation you may desire to indicate that the fact that the companies are being deprived of substantial revenues to meet the increasing costs of conducting their operations, and in the meantime accumulating corresponding claims against the Cuban Government, would seem to require that the necessary steps be taken as promptly as possible.

As suggested in your despatch no. 5653 of January 11, 1944, the Department is bringing the matter forcibly to the attention of the Cuban Ambassador,[65] and you are authorized to take such additional action in the matter as you may deem appropriate.

Very truly yours,

For the Secretary of State:
EDWARD R. STETTINIUS, JR.

[65] Aurelio F. Concheso.

800.8836/1228

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

No. 6317 HABANA, March 15, 1944.
[Received March 18.]

SIR: Supplementing the Embassy's air mail despatch No. 6158 of March 2, 1944 (File No. 815.6),[66] in connection with the concessions of the American-owned terminal and warehouse companies in Cuba, I have the honor to enclose, as of possible interest to the Department, a copy and translation of the decision handed down by the Habana Audiencia Court on February 22, 1944 [66] (not February 21 as erroneously stated in the Embassy's despatch No. 6158), suspending the application of that provision of Decree No. 2 of January 3, 1944, which prohibited the terminal companies from increasing their tariffs in order to offset the 15 per cent wage increase which that decree established.

There are also enclosed a copy and translation of a letter dated March 1, 1944,[66] from Messrs. Lazo & Cubas, the attorneys for the United Fruit Company, commenting on the decision under reference, which, in their opinion, has tended materially to strengthen the terminal companies' position vis-à-vis the Cuban Government.

The Audiencia's decision has been appealed by the prosecuting attorney. If, as the attorneys for the terminal companies seem to expect, the Audiencia refuses to admit the appeal, the companies, on posting a $10,000 bond, may proceed to increase their tariffs within the limits set forth in their respective concessions, pending a final decision in the matter by the Cuban Supreme Court.

Respectfully yours, For the Ambassador:
ALBERT F. NUFER
Counselor of Embassy
for Economic Affairs

800.8836/1230

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

No. 6388 HABANA, March 23, 1944.
[Received March 27.]

SIR: Supplementing previous correspondence in connection with the concessions of the American-owned terminal companies in Cuba, I have the honor to refer to a memorandum of March 1, 1944,[66] on a conversation which Messrs. Bonsal and Scherer [67] had in the matter

[66] Not printed.
[67] Philip W. Bonsal, Deputy Director, Office of American Republic Affairs, and George F. Scherer of the Division of Caribbean and Central American Affairs.

with the Cuban Ambassador in Washington. According to this memorandum, the Ambassador was informed that the terminal companies "contend" that the Cuban Government cannot lawfully modify their concession privileges unilaterally, and the hope expressed that arrangements might be made by the Cuban Government to expedite the decision of the courts, or otherwise to bring the matter to a satisfactory conclusion.

As the Department is aware, the Embassy on February 23, 1944, entered a formal protest [69] against the action taken by the Cuban Government vis-à-vis the terminal companies and requested the Cuban Government to take such steps as may be necessary to correct the situation. A copy of this note of protest was enclosed with my despatch No. 6158 of March 2, 1944 (File No. 815.6).[70] This action was taken pursuant to the Department's instruction No. 2890 of February 9, 1944 (File No. 800.8836/1216), in the last paragraph of which the Embassy was informed that the Department would bring the matter "forcibly" to the attention of the Cuban Ambassador.

The representations which, according to the memorandum of March 1, 1944, were made by the Department to the Cuban Ambassador appear, however, to have been much less forceful than the Department's instruction No. 2890 had led me to expect. While no reply has as yet been received to my note of February 23, 1944, I am very much afraid that if Ambassador Concheso reported to his Government the substance of the Department's representations in the matter, it might tend materially to weaken the effect of my note of protest and to make increasingly doubtful the outcome of our efforts on the terminal companies' behalf. I hope, therefore, that the Department may find it possible again to bring this matter to the Cuban Ambassador's attention and to impress upon him the necessity of his Government's taking prompt action to correct the situation.

Respectfully yours, SPRUILLE BRADEN

800.8836/1232

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

No. 6830 HABANA, May 9, 1944.
[Received May 12.]

SIR: I have the honor to refer to the Department's air mail instruction No. 3174 of May 5, 1944 (File 800.8836/1230 [*1231*] [70]), requesting the Embassy to submit a report concerning any recent

[69] Note No. 143, not printed.
[70] Not printed.

developments in the litigation involving the concessions of the American-owned terminal companies in Cuba as well as some indication of the present views of the terminal companies concerning their general position.

As the Embassy reported in its despatch No. 6317 of March 15, 1944 (File 815.6), the Habana Audiencia Court on February 22, 1944, suspended the application of that provision of Decree No. 2 of January 3, 1944, which prohibited the terminal companies from increasing their tariffs in order to offset the 15 per cent wage increase of dock laborers and employees which Decree No. 2 established (please see Embassy's air mail despatch No. 5653 of January 11, 1944). The Audiencia's decision was appealed by the prosecuting attorney and, contrary to the expectation of the terminal companies, the Audiencia on March 21 reversed its previous decision in the matter and admitted the appeal. As a result, the terminal companies are not permitted to raise their rates to importers and exporters in order to offset the wage increase in question, unless the Supreme Court, to which the case now goes, should rule in their favor. The companies have, however, raised their charges against vessels loading and discharging at their terminals and, as a result thereof, vessels from the United States, including those owned by or chartered to the War Shipping Administration, have increased their fixed freight surcharge from 1 cent per 100 pounds to 5 cents per 100 pounds. While this arrangement compensates the terminal companies for their increased operating expenses, including those resulting from the wage increase established by Decree No. 2, it does not, of course, solve the basic problem involved, namely, whether the terminal companies still enjoy the rights granted them by the Cuban Government under their respective concessions.

The Embassy has, therefore, lost no opportunity of bringing this matter to the Cuban Government's attention and of reminding it that no reply has as yet been received to the Embassy's note No. 153 [*143*] of February 23 [71] formally protesting against the several measures enacted by the Cuban Government which tend to violate the concessions of the American-owned terminal companies.

The Embassy will continue to press the Cuban Government for an early definitive and favorable reply and will keep the Department promptly informed of any further developments in the matter.

Respectfully yours,

ALBERT F. NUFER
Counselor of Embassy
for Economic Affairs

[71] Not printed.

800.8836/8–2844

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

No. 7781 HABANA, August 28, 1944.
[Received August 31.]

SIR: I have the honor to refer to the Embassy's air mail despatch no. 7575 of August 3, 1944,[73] in which I quoted, in translation, an extract from a memorandum received by Ambassador Braden from the Minister of State[74] summarizing the opinion of Dr. Gregorio del Real, the Cuban Maritime Commission's Legal Counsel, on the points raised in the Embassy's note no. 143 of February 23, 1944,[73] protesting against certain measures adopted by the Cuban Government which it was felt tended to impair or nullify the concessionary rights of the several American-owned terminal companies operating in Cuba.

I have now received the Cuban Government's note no. 2035 of August 11, 1944, enclosing the full text of Dr. del Real's opinion,[75] which the Cuban Government apparently makes its own. The gist of this opinion, as mentioned in the extract of Dr. Mañach's memorandum quoted in my despatch no. 7575, is that the final decision should be left to the Cuban courts to which the terminal companies have already appealed. Copies and translations of note no. 2035 and its enclosure are attached and I would appreciate receiving the Department's further comments and instructions in the matter.

In the meantime copies of Dr. del Real's opinion have been furnished the three terminal companies involved, which in turn have requested their lawyers to prepare a reply thereto for the Department's and the Embassy's information.

Respectfully yours, ALBERT F. NUFER

800.8836/10–2544

The Counselor of Embassy for Economic Affairs in Cuba (Nufer) to the Secretary of State

No. 8100 HABANA, October 25, 1944.
[Received October 28.]

SIR: Supplementing the Embassy's air mail despatch no. 7781 of August 28, 1944 (file no. 815.6), enclosing a copy and translation of the Cuban Government's note no. 2035 of August 11, 1944,[73] in reply to the Embassy's protest against certain measures which it had adopted and which, in the Department's opinion, tended to impair or nullify the concessionary rights of the several American-owned

[73] Not printed.
[74] Jorge Mañach y Roberto.
[75] Note and enclosure not printed.

terminal companies operating in Cuba, I have the honor to enclose copies (in English and Spanish) of a brief [76] prepared by the companies' lawyers in reply to the arguments advanced in the note under reference.

I believe that the companies' reply conclusively refutes the Cuban Government's arguments, and I am enclosing a memorandum dated October 25,[76] prepared in the premises by Dr. Leobardo L. Gonzalez, the Embassy's legal adviser, in which he likewise expresses himself as in full agreement with the opinions set forth therein. I would appreciate being informed whether the Department concurs in these viewpoints.

If so, I propose, subject to the Department's approval, to send a further note to the Cuban Government, enclosing a copy of the attached brief and insisting in our previous request for the prompt derogation of the measures against which our protest was directed. I am hopeful that, in keeping with the present Government's manifest desire to cooperate with us in every way it properly can, our renewed efforts will prove more successful than the representations which were made to the Batista administration.[77] In view of the importance of the fundamental issue involved, namely, whether the terminal companies have any concessionary rights or whether the Cuban Government may order increases in their expenditures while simultaneously restricting their revenues, I hope that it may be possible for the Department to give me its instructions in the matter at the earliest possible opportunity.

Respectfully yours, ALBERT F. NUFER

800.8836/10–2544

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

No. 4766 WASHINGTON, December 20, 1944.

SIR: Reference is made to the Embassy's airmail despatch no. 8100 of October 25, 1944, and prior correspondence, in relation to the controversy between American-owned terminal and warehouse companies in Habana and the Cuban Maritime Commission in connection with the issuance of certain Orders by the latter in alleged violation of the rights of the companies under their concessions.

It is noted that in the communication of June 28, 1944 of Dr. Gregorio del Real, counsel of the Commission, a copy of which accompanied the Embassy's despatch no. 7781 of August 28, 1944, reference is made to the fact that the controversy between the companies and the Commission had become the subject of proceedings in the courts

[76] Not printed.

[77] The administration of Fulgencio Batista was succeeded on October 10, 1944, by that of Ramón Grau San Martín.

of Cuba, and also that in a memorandum which was handed Ambassador Braden on August 3, 1944, it was stated that the Commission had approved a report of Dr. del Real in which it was concluded that the matter "should be channelized through the courts." While it is possible that Dr. del Real had in mind the general principle of international law in relation to the exhaustion of legal remedies available in the tribunals of a state against which complaint is made, it is also noted that the Ministry of State has apparently made no reference to the principle and has not indicated a disposition to object to discussion of the matter in the diplomatic channel on that ground.

In the circumstances, the Department considers that you are warranted in continuing your endeavors to effect an adjustment of the controversy provided you are satisfied that decisions of the Supreme Court of Cuba cited by attorneys for the companies support the contention of the companies that rights vested in them by their respective concessions cannot lawfully be modified unilaterally by the Cuban Government. In that relation it is observed that while in the memorandum accompanying the Embassy's despatch of October 25, 1944,[78] the Embassy's legal adviser stated that there is "little jurisprudence" on the subject of administrative concessions in Cuba, he nevertheless agrees with the opinion of the attorneys for the companies, also enclosed with that despatch, in which the decisions allegedly supporting the companies' contention are cited.

It is doubted that further representations to the Ministry of State will serve any useful purpose if that Ministry continues to reply on the opinions of the counsel for the Maritime Commission whose primary interest in the matter may be that of endeavoring to support the legality of the Commission's actions. It may be noted that so far as the record discloses, he has refrained from any discussion of the Commission's action and the companies' rights in the light of the decisions of the Supreme Court of Cuba which have been cited in support of the contentions of the companies. Accordingly, it is thought that the prospect of effecting an adjustment of the matter might be enhanced should the Ministry of State endeavor to obtain a more impartial appraisal of the situation by seeking the views of the Ministry of Justice regarding the legal contentions of the companies. The Embassy may consider the statements made in the second paragraph of the memorandum prepared by attorneys for the company [*companies*],[79] which accompanies the Embassy despatch of October 25, 1944, as affording a basis for suggesting, formally or informally, that the Ministry of State pursue that course. Before doing so, however, the Embassy may desire to obtain the views of the

[78] Despatch 8100, *supra*.

[79] Memorandum of October 9, 1944 (not printed), signed by the three managers and three attorneys (see footnote 58, p. 1001) representing the three terminal companies under discussion in this and previous memoranda.

local representatives of the companies concerning the advisability of following such a course.

It is suggested that in presenting the matter anew to the administration which recently assumed office, the Embassy point out that since a considerable period of time has already elapsed since the issuance of the Orders complained of, and in view of the estimate of the attorneys for the companies that an additional period of some four or five years may elapse before final action can be obtained in the courts, the matter appears to be one which should be remedied by administrative action as promptly as possible. This is particularly true in view of the fact that as a consequence of the Orders the companies are being deprived of substantial revenues to meet the increased cost of operations imposed upon them, and in the meantime accumulating corresponding claims against the Cuban Government.

Since the Embassy may, in the course of its representations, desire to present to the Ministry of State the memorandum prepared by the attorneys for the companies the Spanish text of the memorandum is returned herewith for the convenience of the Embassy.

Very truly yours, For the Secretary of State:
DEAN ACHESON

800.8836/1–1745

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

No. 8613 HABANA, January 17, 1945.
[Received January 24.]

SIR: I have the honor to refer to the Department's instruction no. 4766 of December 20, 1944 (file no. 800.8836/10–2544) and previous correspondence in relation to the controversy between American-owned terminal and warehouse companies in Habana and the Cuban Maritime Commission in connection with the issuance of certain orders by the latter in alleged violation of the companies' rights under their respective concessions.

In accordance with the third paragraph of the Department's instruction, the legal adviser of the Embassy was again consulted as to whether the decisions of the Supreme Court of Cuba cited by the attorneys for the companies actually support their contention that the rights vested in them by their respective concessions cannot lawfully be modified unilaterally by the Cuban Government. After a further careful study of the matter, Dr. Gonzalez submitted his opinion in a memorandum, dated January 5, 1945 (of which a copy is attached),[80] stating that while none of the cases in which the decision was cited by the companies' attorneys is entirely comparable to the present controversy, they do afford a basis for the companies' conten-

[80] Not printed.

tion that rights vested in them by their respective concessions cannot lawfully be modified unilaterally by the Cuban Government.

Subsequent thereto, a meeting was held at the Embassy, attended by the representatives of the terminal companies and their attorneys. In the course of this meeting it was unanimously agreed that it would be helpful if the Embassy in again bringing this matter to the attention of the Cuban Government could point out that the prospect of effecting an adjustment of the matter might be enhanced should the Ministry of State endeavor to obtain a more impartial appraisal of the situation by seeking the views of the Ministry of Justice rather than by continuing to rely on the opinion of the counsel for the Maritime Commission whose primary interest may, as the Department points out, be that of endeavoring to support the legality of the Cuban Maritime Commission's actions.

There is enclosed a copy of the Embassy's note no. 60 of January 13, 1945 [81] which was delivered to the Minister of State on January 16 and to which was attached the Spanish text of the memorandum prepared by the attorneys of the terminal companies [81] in refutal of the opinion expressed by Dr. Gregorio del Real, the legal counsel of the Cuban Maritime Commission, in his report of June 28, 1944. Simultaneously there was handed to the Minister of State an informal memorandum, also dated January 13, 1945, suggesting that the Ministry of Justice, rather than the Cuban Maritime Commission, be consulted regarding the legal contentions of the companies, as it was deemed preferable to make this suggestion in an informal memorandum rather than to embody it in an official note.

The Minister of State offered promptly to refer the matter to the appropriate agencies of the Cuban Government for further investigation and the Department will be kept informed of any further developments.[82]

Respectfully yours,

For the Chargé d'Affaires a.i.:
ALBERT F. NUFER
Counselor of Embassy
for Economic Affairs

[81] Not printed.
[82] No further report on this case has been found in Department files.

DOMINICAN REPUBLIC

DISCUSSION CONCERNING THE ADVISABILITY OF AVOIDING ANY ACTION THAT MIGHT BE INTERPRETED AS UNITED STATES ENDORSEMENT OF THE TRUJILLO ADMINISTRATION

839.00/6–2744 : Airgram

The Ambassador in the Dominican Republic (Briggs) to the Secretary of State

CIUDAD TRUJILLO, June 28, 1944—10:30 a. m.
[Received June 31 (*July 1*) 2 p. m.]

A–297. An extensive underground revolutionary movement has been uncovered by the Dominican Government and during the past few weeks strong repressive measures have been taken, including, I am informed on good authority, the killing of several persons suspected.

The movement was organized along Communist lines by the Spanish Communist groups in this country and is in touch with the Dominican Revolutionary Party abroad, particularly the Habana branch. It has found fertile soil in the deep dissatisfaction of broad sectors of the Dominican populace. This dissatisfaction, although a natural result of the oppressive nature of the Government, is based specifically on the widespread hunger caused by the drought and by the monopolistic economic policies and practices of the administration. Furthermore, unrest has been fomented by the suffocation of private enterprise and the fact that little opportunity is offered Dominicans unwilling or unable to curry favor with the administration in one way or another.

The underground movement includes divergent elements of the population which have been brought together at recreational, social, literary and other front organizations throughout the country. At Ciudad Trujillo, 4000 persons, including 500 university students, are reliably reported as having been paying dues to the Centro Español Democrático, Spanish Communist front organization. The Spanish Communists established the framework of the secret movement, including such details as the constitution and by-laws of the various front organizations.

The movement is said to have penetrated into high government circles and to include some of the President's advisers, one of whom is reported to be its secret leader. This may account for the reluctance in the past of the Dominican authorities and President Trujillo

to take Communist activities in the Dominican Republic seriously. The movement is also said to have infiltrated into the lower ranks of the Army. Labor elements are implicated but their exact relationship to other groups is not yet clear.

It is not possible at this point to gauge the exact ramifications and extent of the movement. From the character of the reports received, however, it would appear that it is widely diffused and that it does constitute a potential danger to the stability of the present regime. One of the leaders of the movement in Santiago is quoted as having said that he could count on 10,000 Dominican Communist sympathizers in that city. This, however, is probably a wide exaggeration.

When the Dominican Government finally awakened a few weeks ago to the existence in the Republic of such an organization, it took swift drastic action. All the known Spanish Communist leaders were taken to prison for questioning and informed that they must leave the Dominican Republic forthwith and that the Dominican authorities would assist them in arranging documentation and providing travel expenses. As has already been reported (please see despatch no. 32 of June 17, 1944[1]), Spanish Communists are leaving the country, particularly to Mexico, as fast as transportation is available.

Simultaneously, many Dominicans known to be associated with the so-called Communist movement were questioned and received varying treatment in accordance with the believed degree of culpability, including third degree and killing. In two instances in this city, the bodies were returned to the families for burial. Whereas it is reported that during the past few weeks, several persons have been killed, including at least one enlisted member of the Dominican Army accused of participation in the movement, it is reported that repression in the provinces has been and is being conducted on a wider scale. Up to the present, the Embassy has not received any reliable report of students being killed for their participation in Communist activities but it is known that some of them have been taken to La Fortaleza in this city and manhandled by soldiers.

It is further reported that although President Trujillo is now taking severe measures to suppress this so-called Communist movement, he is not yet fully aware of its true extent and dimensions. His advisers, however, have in the past 2 months recommended an intensification of social welfare, agricultural and labor improvement measures. An unemployment law was promulgated on June 6 and an old minimum salary law was amended on June 21. In order to alleviate the critical food problem of the poor, cheap dining rooms have been opened at Ciudad Trujillo and many other cities and towns. The administration is devoting much space in the (controlled) press to stressing impending benefits from its agrarian program.

[1] Not printed.

Trujillo's present preoccupation and repressive measures are doubtless not disconnected from concern over recent political disturbances in other countries, notably El Salvador, Ecuador, Cuba and currently in Guatemala. At all events, my associates in the Embassy are of the opinion that the movement described represents the greatest potential threat to Trujillo in several years. While his position at this writing appears to remain secure, the foregoing will serve as background information in the event of further developments in the movement against him.

BRIGGS

839.00/7-544

The Ambassador in the Dominican Republic (Briggs) to the Secretary of State

No. 70 CIUDAD TRUJILLO, July 5, 1944.
[Received July 10.]

SIR: I have the honor to submit the following estimate of the situation prevailing in the Dominican Republic, together with my conclusions and recommendations with respect to the policy which I believe our government should follow. There is enclosed in this connection a memorandum [2] on which the conclusions are based. I have now been at Ciudad Trujillo for four weeks, and while I realize that this is insufficient time in which to familiarize myself with details, I believe that the main outlines of the situation are clear and that there is an advantage in making an appraisal when one's perspective has not been foreshortened, and when it is easier to be objective with respect to personalities.

1. The Trujillo dictatorship, as an operating entity, is the most efficient government the republic has ever known, and more overall material progress has been achieved during the past 14 years than during the preceding 438 years since the discovery of the Island by Columbus. Trujillo takes a genuine patriotic pride in these achievements.

2. Notwithstanding Trujillo's dedication of his Government—internationally—to the principles of liberty, justice and democracy, his administration of the country—domestically—shows a cynical disregard for most of those principles. His regime is an enterprise operated primarily for the personal enrichment of himself, his relatives and his satellites. His greed results in the impoverishment of the Dominican people, economically and morally. The dictator's vanity, which not infrequently dictates his course of actions, is colossal.

3. During the 86 years between independence from Haiti and the advent of Trujillo, the Dominican people showed little talent for meeting the responsibilities of representative government. That pe-

[2] Not printed.

riod is a tragic recital of incompetence, venality, foreign intervention, bankruptcy and repeated chaos. Were Trujillo, a strong character and a born leader, to be removed from the scene, a repetition of those conditions might ensue. A substantial proportion of Dominican citizens would welcome his downfall, but barring assassination of the dictator, the chances at this juncture do not appear to favor a successful revolution. It is believed, however, that opposition to Trujillo is increasing. (Please see Secret Airgram no. 297, June 28, 10:30 a. m.)

4. The most important problem facing the Dominican Republic is that of its relations with Haiti. The Presidents of Haiti and the Dominican Republic have been put on notice by President Roosevelt that they are expected to keep the peace.[3] President Roosevelt's communications of last February undoubtedly had a sobering and beneficial effect on them. Nevertheless, Haitian-Dominican relations are susceptible of sudden deterioration, and conflict might break out at any time. Antipathies—racial, historical, and economic—are profound, and produce continuing pathological manifestations in the Dominican Republic. With a static land area unequally divided, and with Haiti's population density and multiplication rate, indications point to eventual conflict.

The recommendations that follow are based on the premise that although Trujillo's dictatorship represents the negation of many of the principles to which the United States subscribes, promotion of his overthrow is not the responsibility of the American Government nor would such action be consistent with our present commitments with respect to non-intervention. Trujillo is primarily a Dominican problem, for solution by the Dominican people.

My recommendations are based, however, on the premise that we should decline to endorse Trujillo's dictatorship, or to permit ourselves through misinterpretation of our policies to become identified with it. Sooner or later American public opinion will interest itself in the kind of governments existing in the other American republics and demand that, without interfering in their internal affairs, we nevertheless take cognizance of conditions and base to a larger degree than heretofore our attitude toward them on the conduct of those governments toward their own people. The question of "favors to dictators" will inevitably arise in that connection.

Finally, my recommendations are based on the premise that honesty is more important than the ideology to which the people of the Dominican Republic at a given moment subscribe; an honest Dominican administration would be capable of developing in the direction of greater liberty for the individual, and conversely a dishonest administration probably would not.

It seems self-evident therefore that we must be scrupulously honest in all our government dealings with the Dominican Government and

[3] For President Roosevelt's letters of February 22 and March 4 on this subject to President Trujillo and President Lescot, see pp. 184 and 185.

people, and that we must insist on honesty on the part of American citizens and companies operating in the Dominican Republic, as well as upon non-participation by them in the domestic affairs of the country. (The record of our citizens in those particulars during recent years has reportedly been good.)

But we must also insist upon honesty on the part of the Dominican Government in all its dealings with the American Government. This insistence may require a greater degree of positive action on our part than has heretofore been exercised, which may in turn be resented by President Trujillo, with possible effects on relations with the United States.

By way of explanation, it may be recalled that during the war emergency our Government has been supporting the economy of the Dominican Republic in various ways—through credits, through making supplies and equipment available, and through American Government purchases of Dominican commodities at prices favorable to producers.[4] While in some respects (utilization of credits for example) the performance of the Dominican Government appears to have been satisfactory, that has not always been the case with respect to utilization of equipment, and it has not thus far been the case regarding the food purchasing program, the benefits of which are *not* being extended to producers (i.e., the Dominican people) but are being siphoned off by middlemen headed by the President and other high officials of the Dominican Government, who control original purchases from farmers, as well as processing and distribution. For instance, the Dominican Government has consistently declined to publish the price schedule to be paid by the American Government, notwithstanding its commitment to do so in the purchase agreement, and it deliberately maintains producers in ignorance of such prices, apparently for the purpose of permitting middlemen to buy as cheaply as possible. This results in limiting production of foodstuffs for export, and hence runs counter to the purposes of the program.

We should insist upon fulfillment by the Dominican Government of all its undertakings with us, and unless the Dominican Government makes good, our collaboration should be made contingent upon performance with regard to unfulfilled existing commitments.

(Note: I do not criticize past collaboration, economic or otherwise, that we have extended to the Dominican Government. I realize that during the period between Pearl Harbor and our invasion of North Africa—during which a German attack on the New World was a real possibility—the security of the Caribbean was a matter of supreme

[4] For texts of the 1941 Lend-Lease Agreements, signed August 2 and August 6, see *Foreign Relations*, 1941, vol. VII, pp. 253 and 256. For correspondence concerning 1942 agreements on financial aid for road construction, see *ibid.*, 1942, vol. V, pp. 269 ff.; for a 1943 agreement on food purchase, see Department of State Executive Agreement Series No. 350, or 57 Stat. (pt. 2) 1142.

importance, overshadowing all other considerations. That, however, was two years ago.)

I wish to repeat that in my opinion 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, but that this may perhaps prove irritating to Trujillo, whose personal pocketbook might be the first to suffer. While I am inclined to think that Trujillo will accept with reasonably good grace insistence on our part on fulfillment by the Dominican Government of specific existing commitments, it is prudent to examine the possible moves Trujillo might make if he wanted to make trouble.

A. Trujillo might withdraw his support from various inter-American or international policies in which we are interested, or delay, temporize, or criticize such policies, in contrast to his present ready acceptance of our lead. (Such support currently costs him nothing, and we would be well advised to bear that in mind in our evaluation of it.) If sufficiently aroused, Trujillo is capable of exchanging support for denunciation, and of intriguing against the United States in inter-American matters. He could easily have declined for example, in recent weeks to go along with the United States on such questions as Bolivian recognition or relations with Argentina.[5]

B. Trujillo could adopt a policy of pin-pricks and petty irritations with respect to our Embassy in the Dominican Republic, simultaneously attempting through his representation in Washington to undermine confidence in this mission or discredit it.

C. Trujillo could begin harassing American business enterprises, and this could be accomplished in ways difficult to counter, under a cloak of constitutional procedure—higher taxes, nationalistic legislation, increased wages, et cetera.

In these and other ways Trujillo could, if so minded, change the *ambiente* almost overnight from one of warm, if superficial friendliness, to an irritating unfriendliness. He could produce a whole series of headaches. His nuisance value, in the short run, might be considerable. On the other hand, Trujillo would, in those circumstances, incur certain risks, the realization of which could act as a deterrent; for instance, Trujillo reportedly weighs all situations in terms of the possible advantage (or comfort) that Haiti might derive therefrom. Moreover, he knows that anti-Trujillo elements scrutinize the course of Dominican-American relations, would be quick to note a changed *ambiente*, and might attempt immediately to profit from it.

In the event of hostilities between the Dominican Republic and Haiti, a quarantine of both countries should be established. Should relations appear to be entering a critical phase, opportune warnings

[5] For correspondence on the United States position toward the recognition of the Argentine and Bolivian regimes, see pp. 252 ff. and pp. 427 ff., respectively.

would be in order, and the other American republics might well be informed thereof.

(Note: American policy with respect to furnishing arms and munitions (through Lend-Lease or otherwise) is of major importance to Dominican-Haitian relations. We should be guided by the assumption that such arms as reach Hispaniola are likely to be used by Dominicans against Haitians, or vice versa.)

The possibility of a Washington visit by Trujillo may again arise. I do not believe it would be desirable to promote such a visit, which could be interpreted locally (and might be so interpreted abroad) as placing a seal of American approval on Trujillo and all his works. On the other hand, we cannot go on receiving Lescot [6] and refusing to receive Trujillo, without nourishing with unfortunate consequences criticism of our "partiality".

Should Trujillo again put out feelers about a visit, he should be informed that he would be received in Washington as President of the Dominican Republic, with the ceremony and honors accorded to other Chiefs of State. There is even a remote chance that such a visit, if appropriately timed and carefully handled, might have beneficial results, for the reason that Trujillo is certainly not without patriotism and he is ambitious for the continued material progress of his country. By playing on his patriotism and on his legitimate ambitions, some profit might be obtainable, although I repeat that the prospect of success seems at this writing somewhat remote. But in any case, it is not believed that we should lend further substance to the local belief of "favoritism", with possible repercussions on Dominican-Haitian relations which result from continuing to receive Lescot and not receiving Trujillo.

The foregoing estimate and recommendations have been set forth in some detail for the reason that I believe stock-taking of Dominican-American relations is in order, and because the small Caribbean countries and our relations with them constitute a sort of show-window through which our inter-American relations are carefully examined by other—and more important—nations with which we are dealing. Trujillo is a dictator, indifferent to or even hostile to many of the fundamental principles for which our country stands. 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 except our own carefully considered terms.

Those terms should be based on fair and honest dealings and on unwavering insistence upon reciprocal integrity in the dealings of the

[6] Elie Lescot, President of Haiti.

Dominican Government with us. In that way we shall also be of the greatest benefit to the people of the Dominican Republic.

It is respectfully recommended that the policies outlined in this despatch constitute my terms of reference at this post.

Respectfully yours, ELLIS O. BRIGGS

839.00/7–1144

The Ambassador in the Dominican Republic (Briggs) to the Secretary of State

No. 93 CIUDAD TRUJILLO, July 11, 1944.
[Received July 18.]

SIR: With reference on the one hand to my Secret airgram no. 297 of June 28 and to my Secret despatch no. 70 of July 5 setting forth my estimate of conditions in the Dominican Republic, and on the other hand to my despatches no. 39 of June 21 and no. 84 of July 6 [8] in regard to the activities of Attachés I have the honor to enclose the text of a "questionnaire" [9] which the Acting Military Attaché [10] informs me he received in confidence last March from a member of a group plotting the overthrow of the Trujillo Government. This emissary reportedly saw Captain Ruff again toward the end of last May, shortly before my arrival in Ciudad Trujillo, but at my request has not subsequently met with him. A somewhat similar "questionnaire" reached the Legal Attaché recently.

I wish to invite the Department's special attention to the enclosed document received by the Acting Military Attaché which seeks to ascertain the views with respect to a possible revolution in the Dominican Republic of the War Department (not, it will be observed, of the United States Government as such, or of the State Department).

In the foregoing connection I also call the Department's attention to the following excerpt from my aforementioned Secret despatch no. 70, in which I stated that my recommendations as to policy

"are based on the premise that although Trujillo's dictatorship represents the negation of many of the principles to which the United States subscribes, promotion of his overthrow is not the responsibility of the American Government nor would such action be consistent with our present commitments with respect to non-intervention. Trujillo is primarily a Dominican problem, for solution by the Dominican people."

In my opinion during the past ten days Trujillo's position has deteriorated to an appreciable degree, although not yet to the point

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[8] Neither printed.

[9] Not printed; it was composed of five questions on the extent or existence of War Department sympathy with and possible support of, a revolutionary movement against the Trujillo administration.

[10] Capt. Edward J. Ruff.

where his overthrow becomes an imminent possibility. The capital, however, is full of all sorts of rumors in which conflicting "bolas" concerning the attitude of the American Embassy are widespread, and are apparently being promoted with particular zeal by wishful thinkers in the opposition camp. The government is now plainly somewhat worried and in an effort to cope with the situation I understand Trujillo's secret police (who have rarely been inactive in the past fourteen years) have been considerably augmented and that arrests of alleged "revolutionaries" both here and in the provinces are being made. Furthermore, it is my impression that all members of the Embassy staff are subject to almost constant surveillance and scrutiny, and that strong efforts are being made to check the identity of everyone with whom members of the Embassy come in contact.

What the future of the Trujillo administration may be I shall not in this despatch attempt to predict, but I submit that the mere receiving from a member of the opposition of a "questionnaire" along the lines of the enclosed document has highly explosive and dangerous possibilities and entails risks of misinterpretation of or misrepresentation of the position of our Government that could lead to great embarrassment to us in the conduct of our inter-American relations.

Captain Ruff informs me that he (quite properly) declined to express any opinion with respect to the "questionnaire" but in view of the aforesaid dangers I have requested that he cease to have any contact whatsoever with the individual in question.

Respectfully yours, ELLIS O. BRIGGS

839.00/9–544

The Ambassador in the Dominican Republic (Briggs) to the Secretary of State

No. 291 CIUDAD TRUJILLO, September 5, 1944.
[Received September 9.]

SIR: I have the honor to refer to my secret despatch No. 70 of July 5, 1944 setting forth my estimate of the situation in the Dominican Republic. As stated in that despatch, my policy recommendations were based

"on the premise that although Trujillo's dictatorship represents the negation of many of the principles to which the United States subscribes, promotion of his overthrow is not the responsibility of the American Government nor would such action be consistent with our present commitments with respect to non-intervention. Trujillo is primarily a Dominican problem, for solution by the Dominican people. . . . However, we should decline to endorse Trujillo's dictatorship or to permit ourselves through misinterpretation of our policies to become identified with it. . . ." [11]

[11] Omissions indicated in the original despatch.

At the conclusion of that despatch it was suggested that the policies outlined should constitute my terms of reference at this post. In the absence of word to the contrary, I hope I am correct in assuming that my views have merited the approval of the Department.

I now wish to invite the Department's attention to the fact, which has grown increasingly clear to me since my arrival here, that certain officers of our military establishment in the Caribbean do not share either my estimate of the situation or my views concerning policy. What is more, they are apparently prepared to undertake on their own initiative steps which run counter to that policy. If my interpretation of the views of our military is correct, they regard President Trujillo and his Government with great favor, which they often make no effort to disguise. They are inclined to view Trujillo's many substantial achievements—maintenance of order, "making the Dominicans work," et cetera—as indicating that Trujillo is operating the best possible government in the best of all possible Caribbean worlds, but apparently to ignore or belittle the importance of factors on the other side of the picture, including the suffocation of liberty, the maintenance of innumerable "Trujillo rackets" (please see despatch no. 139 of July 21 [13]), and Trujillo's indifference to many of the principles for which our own country stands and to preserve which we are fighting a world war.

The military are entitled to their private opinions on these matters. I desire to point out however that in the exercise of those opinions they are providing Trujillo with the material of misrepresentation, and that he has already utilized it.

There was, for example, the recent visit of Lieutenant General Brett, Commanding Officer of the Caribbean Defense Command, with very extensive and elaborate publicity staged by President Trujillo. The visit was arranged by direct personal correspondence with President Trujillo, without reference to this Embassy until two days prior to the General's arrival, which was subsequent to acceptance of the invitation. (Please see my secret despatch no. 250 of August 25, 1944.[13]) During the visit there was apparently discussion with Dominican officials of various matters not previously cleared with the Embassy or reported to it thereafter, as set forth in the enclosed memorandum. It was followed by a newspaper interview in Panamá on General Brett's return there, praising the Trujillo Government in enthusiastic terms. A copy of this interview, appearing in the Panamá *Star & Herald* of August 24, 1944 is also enclosed.[14]

This visit, the second by General Brett to Ciudad Trujillo within four weeks, presented Trujillo with a ready-made opportunity to

[13] Not printed.
[14] Not reprinted.

emphasize here and abroad his personal and official intimacy with our Government, as well as to "prove" to the Dominican opposition (which if a secret ballot could be taken would probably include a substantial proportion of the population of this country), the futility of any efforts to unseat this "favored friend" of the United States. In other words the visit, as utilized, was directly contrary to the policy recommendation already quoted "that we should decline to endorse Trujillo's dictatorship, or to permit ourselves through misinterpretation of our policies to become identified with it."

While I have a high personal regard for General Brett and moreover do not wish to over-emphasize the definitive character of such a visit, the cumulative effect, should calls here be continued, might well be very substantial.

I am prepared to endeavor to handle this particular situation, 1) by discouraging an early repetition thereof through personal letter (as mentioned on page 3 of my despatch no. 250 of August 25), and 2) by requesting General Brett (or any other military commander coming here) immediately upon his arrival to discuss no subjects with Dominican officials without prior clearance thereof with me.

The general problem however is one of considerably broader implications than the relationship between a single chief of mission and a commanding general in this area, and furthermore I have gathered from various conversations which I have had with our military authorities since my arrival in the Dominican Republic last May that their views, if not emanating directly from the War Department, find substantial support there.

If foreign policy aspects of our relations with Caribbean republics are to predominate now that any major threat to the security of this region has been removed, it behooves the Department of State itself to re-assert its authority over the conduct of foreign relations in this area, and to see to it that appropriate directives are issued to the War Department, and by that Department to officers concerned. In addition to stating the general thesis, such directives should in my judgment include the following:

1. Visits to the Caribbean republics, other than purely routine stops in specific connection with United States military matters, should in no circumstances be made unless they have been approved in advance by the Chief of Diplomatic Mission in the country concerned. In no circumstances should direct correspondence be undertaken by officers in our military service with Chiefs of State or other high officials of foreign governments.

2. Regulations covering the acceptance by our military authorities of "political decorations" should forthwith be revised (please see my despatch no. 250 of August 25). The seeking of autographed photographs from foreign Chiefs of State might likewise well be discouraged.

3. Military authorities in this area should be enjoined from discussing pending business, including military business, with foreign officials—unless such discussions have first been approved by the Chief of Mission in the country in question.

4. Military officers should be forbidden to make public statements concerning conditions existing in the other American Republics. (I again call the Department's attention to the enclosed copy of the clipping from the Panamá *Star & Herald.*)

5. Directives to Military Attachés should be completely revised, to the end that such attachés shall be responsible in every particular to Chiefs of Mission, and prohibited from interfering with the work of diplomatic missions by engaging in all sorts of extraneous reporting and investigative activity. (In this connection I refer to my confidential despatch no. 234 of August 18[15] and previous correspondence.)

The foregoing appears to me to be a minimum statement of requirements designed to avoid further interference by our military authorities in the field of Caribbean foreign policy. It is of course equally applicable to our naval authorities, although thus far I have seen nothing to indicate that the Navy Department is seeking to encroach on that field.

There are of course occasions when the utilization of our military facilities may be both useful and important in the promotion of political objectives, including the promotion of good will. For example, utilization of military air transportation last month to take the Peruvian Ambassador, who was seriously ill, from Ciudad Trujillo to Lima, had an altogether useful effect, albeit perhaps diminished somewhat by the awareness on the part of the Peruvian Embassy here that it took five weeks to arrange this transportation, whereas when minor motor trouble developed in General Brett's plane on the morning of his departure for Panamá, a substitute airplane was obtained within three hours, and a second plane, bringing a spare part, arrived within two hours. Such matters as "good will transportation" should however be sponsored by the Department of State or its senior representative in the country concerned, and favorable action on such recommendations should be routine and prompt, rather than "granted as a favor" after long and embarrassing delay.

In my opinion the matters discussed in this despatch should not be permitted to drift on the theory that as the war draws to a successful conclusion, there will be a normal diminution of War Department activity in the Caribbean area. I gather that that is by no means the idea of the War Department, which I am informed proposes in peacetime to maintain a considerably larger military establishment in the Caribbean than it does at the present time. The size and extent of our post-war military establishment is clearly a matter of high policy

[15] Not printed.

in which the security aspects may be uppermost, but unless and until such time as the Caribbean may again face a potential menace, the conduct of foreign relations there should be the primary duty and responsibility of the Department of State.

My views concerning the proposed staff conversations are contained in my secret telegram no. 396 of September 5, 11 [*10*] a. m.[16]

Respectfully yours, ELLIS O. BRIGGS

839.00/9–544

Memorandum by the Chief of the Division of Caribbean and Central American Affairs (Cabot) to the Acting Chief, Office of American Republic Affairs (Armour)

[WASHINGTON,] September 12, 1944.

MR. ARMOUR: I believe that the viewpoint expressed by Ambassador Briggs in the attached despatch [17] is of such interest that it should be read *in extenso*. With the exception of a few details, which I shall mention later, I most strongly endorse Mr. Briggs' view that the time has come to take a strong position regarding the running of our foreign relations by other governmental departments.

We are all familiar with the efforts of the war agencies, notably the FEA [18] and the Coordinator's Office,[19] to muscle into the field of foreign relations, and we have seen the disastrous results of their overzealousness on our relations. I am afraid that we have not taken a firm enough stand against the old line departments, notably War and Treasury in matters vitally affecting our foreign relations.

It seems to be an unfortunate fact that the military leaders we have had in the Caribbean area have found themselves more at home in the dictatorially-run countries than in those which have stirrings of democracy; thus Ubico [20] and Trujillo were always the Army leaders' fair-haired boys, an admiration which was warmly reciprocated by the two dictators. On the other hand, Costa Rica seems to have always been in the Army's bad books. At the present juncture, I do not think we can afford to show particular friendship for hard-boiled dictatorships, even though they have cooperated in the war effort. Quite apart from the fact that their administrations, and notably that of Trujillo, are anything but democratic, we do not wish to give the

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[16] Not printed.
[17] Despatch 291, *supra*.
[18] Foreign Economic Administration.
[19] Office of the Coordinator of Inter-American Affairs.
[20] Jorge Ubico, President of Guatemala.

appearance of violating our non-intervention policy by favoring the existing regimes.

The friendship between Trujillo and our military men (notably those of the Marine Corps) existed even before Trujillo seized power in the Dominican Republic. Not only has this friendship (as illustrated by Brett's two visits mentioned in the attached despatch) given a distorted impression of our policy to the public but also there have been occasions when advice given by our military men to the dictators has run directly contrary to our governmental policies. The same comments might be made only to a lesser degree of Guatemala. While the friendship and respect of the dictators for our military men can at times be used to our national advantage, I consider it intolerable that they should intrude in the political field, frequently at cross purposes to our established policies, without so much as consulting our missions first.

With regard to Ambassador Briggs' points, starting on page 3, I offer the following views:

1 (Visits of officers to be approved by missions).
I emphatically agree.

2 (Acceptance of decorations by officers).
I agree.

3 (Discussions of pending business without approval of mission).
I emphatically agree.

4 (Public statements regarding political conditions in other republics).
I most strongly agree.

5 (Restrictions on political, economic and other extraneous reporting by Military Attaché).
I entirely agree with this in theory. As a practical matter, we recently signed an agreement with the War Department.[21] I would suggest that we would be in a stronger position if we waited at least until the end of the war in Europe before again broaching this subject.

With regard to Mr. Briggs' views in connection with the proposed staff conversations, please see attached telegram.[22] I am afraid that Ambassador Briggs does not fully understand what we are driving at. Unless you see objection, I will show him the so-called Leahy letter[23] when he returns to Washington. I trust that that will satisfy him that we are on the right track.

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[21] No record of such an agreement has been found in Department of State files or in War Department files.

[22] Neither attached nor identified. For Ambassador Briggs' views on the staff conversations, see his despatch 589, December 20, 1944, p. 131, and the Department's reply of January 8, 1945, p. 133.

[23] Not identified.

If it meets with your approval, I should like to bring this up at the Staff Conference on Saturday, with a view to your presenting recommendations to the Secretary. I cannot overemphasize my belief that we must insist that proper instructions be issued to the military in the other republics and adjacent areas; and that we must carry this matter to the highest levels, if necessary, to achieve our ends.[24]

739.00/10–1944

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

No. 430 CIUDAD TRUJILLO, October 19, 1944.
[Received October 26.]

SIR: I have the honor to report certain trends of Dominican foreign policy which have developed as a result of President Trujillo's conviction that forces in the United States such as the State Department and sectors of public opinion are basically unfriendly to his régime.

As has been reported to the Department, President Trujillo in recent months appears to have feared that some action by the United States might precipitate a crisis resulting in his overthrowal. Whereas these fears have been overcome to a certain extent he nevertheless appears to have decided to intensify his policy of seeking wider recognition for the Dominican Republic, in the hope that it will tend to counterbalance this alleged attitude of the United States.

[Here follows a brief review of overtures reportedly made by President Trujillo to Brazil, Mexico, Spain, and the Holy See in the interests of closer and friendlier relations.]

It should not be inferred from this report that the Dominican Government has determined to depart in any way from its policy of full cooperation with the international policies of the United States, but merely that it foresees the possible development of strong democratic forces abroad which may oppose Trujillo's administration, and consequently is taking every precaution to keep them from endangering the stability of the régime.

Respectfully yours, ROBERT NEWBEGIN

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[24] The conflict of jurisdiction between the War Department and the Department of State in connection with staff conversations was of such a character as to be referred to the President. For correspondence on this problem, see pp. 105 ff.

DISCUSSION CONCERNING THE ACCEPTABILITY OF A LOAN PLAN DESIGNED TO HELP THE DOMINICAN REPUBLIC TO LIQUIDATE ITS BOND ISSUES UNDER THE 1922 AND 1926 LOAN CONTRACTS[25]

839.51/5438 : Telegram

The Ambassador in the Dominican Republic (Warren) to the Secretary of State

CIUDAD TRUJILLO, February 8, 1944—6 p. m.
[Received 8:33 p. m.]

77. Under instructions from the President[26] the Foreign Minister[27] handed me a note[28] this morning stating the Dominican Government is contemplating the possibility of redeeming after January 1, 1945 all the bonds of the external debt of 1922 and 1926,[29] payment of which is pending. It states that the redemption will be effected in conformity with the loan contracts modified by the convention between the Dominican Republic and the Foreign Bondholders Protective Council;[30] and as provided for in the second paragraph of article 9 of the Washington Agreement of September 24, 1940.[31] This step will terminate automatically the existing obligations between American and Dominican Governments with regard to service of the external debt. The note states the appreciation of Dominican Government for assistance given and confidence shown by American Government in Dominican Republic financial position and states that the Embassy will be informed, as they are adopted, of measures which the Dominican Republic will take with a view to terminating the foreign debt. A copy in translation of the note will be forwarded by air mail.

WARREN

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[25] For previous correspondence on this subject, see *Foreign Relations*, 1940, vol. v, pp. 792 ff.

[26] Rafael L. Trujillo Molina, President of the Dominican Republic.

[27] M. Peña Batlle.

[28] Note 3356, February 7; copy transmitted to the Department in despatch 1551, February 9, 1944, from Ciudad Trujillo, not printed.

[29] For correspondence concerning the issuance of bonds to the amount of $10,000,000 in 1922 and the same amount in 1926, see *Foreign Relations*, 1922, vol. II, pp. 78 ff., and *ibid.*, 1926, vol. II, pp. 40 ff. Details of the loan contracts are included.

[30] For correspondence on this agreement, reached in August 1934, see *ibid.*, 1934, vol. v, pp. 189 ff.

[31] For correspondence concerning this Convention, see *ibid.*, 1940, vol. v. pp. 792 ff.; for text, together with accompanying exchange of notes, see Department of State Treaty Series No. 965, or 55 Stat. (pt. 2) 1104.

839.51/5449

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

No. 1699 CIUDAD TRUJILLO, April 22, 1944.
[Received April 29.]

SIR: I have the honor to transmit herewith a communication dated April 17, 1944 addressed to the Secretary of State by the Representative of the Holders of Bonds of the Dominican Republic.[32] The Representative discusses in this communication the possibilities of the Dominican Government's retiring on January 1, 1945 the Dominican bonds of 1922 and 1926, representing the present external debt, by means of purchase or issuance of a new series of internal bonds in their stead. The preliminary views of the Dominican Government in this regard were communicated to the Department in the Embassy's despatch no. 1551 of February 9, 1944.[33]

Since shortly after the outbreak of the war, certain amounts of the monthly interest payments made by the Dominican Government have not been collected. The Dominican Government believes that this situation is caused by the non-presentation of the coupons of bonds held in Europe. On the basis of accumulated interest, they calculate that some $4,500,000 in bonds are held by European nationals. It is therefore possible that the Dominican Government believes there will be no need of providing funds immediately for the retirement of those bonds and that a proportionately smaller amount would therefore be necessary to effect retirement on January 1, 1945.

As the Representative points out in the enclosed communication, it is possible that a fair proportion of persons now holding Dominican bonds would choose to accept new issue bonds in their stead, thereby reducing further the amount needed by the Dominican Government for retirement of the bonds of 1922 and 1926. Further discussions will be necessary before this plan for bond retirement can be put into effect, however, and the question of raising the necessary funds would be considered by the Dominican Government jointly with other aspects of the proposed arrangement.

Respectfully yours, ROBERT NEWBEGIN

[32] Letter signed by Oliver P. Newman, not printed.
[33] Not printed.

839.51/10–2444 : Telegram

The Ambassador in the Dominican Republic (Briggs) to the Secretary of State

CIUDAD TRUJILLO, October 24, 1944—4 p. m.
[Received 6 : 43 p. m.]

464. Referring to my telegram 331 July 13, 6 p. m.[34] I have been informed confidentially by the representative of the holders of bonds of the Dominican Republic that the Chase National Bank has agreed to make a loan of $6,000,000 to the Dominican Government at 3½ percent. Inasmuch as a budgetary surplus of $5,000,000 is anticipated for the present fiscal year these two items would be approximately sufficient to provide for the liquidation of the present outstanding balance of the foreign debt.

BRIGGS

839.51/11–244

The Ambassador in the Dominican Republic (Briggs) to the Secretary of State

No. 477 CIUDAD TRUJILLO, November 2, 1944.
[Received November 10.]

SIR: With reference to my telegram no. 464 of October 24, 1944, 4 p. m. regarding the proposed loan from the Chase National Bank to the Dominican Government, I have the honor to inform the Department that in a conversation with President Trujillo on October 25 I had the opportunity to refer to the favorable financial position of the Dominican Government. I told him that I understood from Mr. Newman that the surplus might amount to as much as $5,000,000, which prompted me to express my congratulations, and in view of his announced interest in retiring the Dominican Foreign debt, to inquire as to the progress of the negotiations undertaken by the Secretary of the Treasury, Señor Troncoso, in New York. The President informed me that the negotiations were "going extremely well" and that he had just had a telephone conversation with Señor Troncoso who expected to return to the Dominican Republic in the immediate future to report in detail. He added when he had received detailed information he would inform me thereof since it is his desire that our Government be fully informed.

On October 28 I received a call from Mr. Edwin I. Kilbourne, the local representative of the West Indies Sugar Company, in which he gave me in confidence certain further details regarding the progress of the loan. A copy of the memorandum of my conversation with him

[34] Not printed.

is enclosed.[35] It will be noted that a syndicate of banks headed by the Chase National Bank is prepared to make a loan to the Dominican Government in the amount of approximately $5,000,000 at 3½% interest. According to Mr. Kilbourne, the banks will be repaid in the amount of $1,250,000 annually over a period of five years. This amount is to be obtained from the taxes due to the Dominican Government from the sugar companies, and an agreement has apparently been reached whereby the parent companies in the United States will make the payment to the Chase National Bank.

It is anticipated that this loan, together with the other means at its disposal, may be sufficient to permit the Dominican Government to retire its present external debt.

Respectfully yours, ELLIS O. BRIGGS

839.51/10–2444: Airgram

The Acting Secretary of State to the Ambassador in the Dominican Republic (Briggs)

WASHINGTON, November 2, 1944—5: 10 p. m.

A–431. The Department is interested in obtaining the Embassy's views regarding the likelihood of the retirement of Dominican dollar bonds, referred to in the Embassy's telegram 464 of October 24. Is it anticipated that the Chase loan and budgetary surplus would be used to repay the Export Bank credit, and to reimburse U.S. citizens' claims, or would they be devoted exclusively to retirement of the dollar bond issues?

The Department would also appreciate receiving the comments of the Embassy regarding the effects which might result from the termination of the 1940 Convention both with reference to (1) a need for a new basic Treaty and (2) such subjects as were covered in the 1940 Convention and accompanying notes as pension and claims payments.[36]

As these questions may not become matters for discussion between the two governments for some time, pending the outcome of the application for a Chase loan, it is suggested that for the present they

[35] Not printed.

[36] In a memorandum dated October 28, not printed, Willard Barber, Assistant Chief of the Division of Financial and Monetary Affairs, noted that termination of the 1940 Convention would 1) leave a gap in treaty relationship concerning general political and economic matters, and 2) revive the following problems, some of which were covered by the Convention's accompanying exchanges of notes: (*a*) Abolition of the Office of Bondholders Representative and of the Office of Deputy; (*b*) pension payments to United States citizens formerly employed in the Customs Receivership; and (*c*) annual payment of $125,000 for the reimbursement of claims of United States nationals. This memorandum was addressed to officers in the Division of Caribbean and Central American Affairs, the Legal Division, the Division of Research and Publication, and the Division of Commercial Policy. (893.51/10–2444)

should be considered within the Embassy alone and not discussed with the Bondholders' representative or with Dominican officials.

STETTINIUS

839.51/11–1144

Memorandum by the Chief of the Division of Financial and Monetary Affairs (Collado) to the Assistant Secretary of State (Acheson)

[WASHINGTON,] November 11, 1944.

MR. ACHESON: The visit to you Saturday at 12:30 of Mr. Troncoso, special financial representative of the President of the Dominican Republic, relates to the same matter which the Chase National Bank took up with me earlier this week and which I have been asking to see you about.

The problem relates to the desire of the Chase National Bank to obtain the approval or at least "no objection" of the Department to a specific loan transaction. The matter is important, not so much as regards the specific Dominican transaction, but because of two matters of policy which might set precedents:

(1) Proposed loan involves the obtaining of guarantees of American sugar companies to an obligation of the Dominican Government. Messrs. Haley, Hiss and Fowler,[37] as well as Phelps, Luthringer and other members of FMA[38] agree with me that this is an unsatisfactory form of foreign loan and believe that the precedent set, while perhaps unimportant in the Dominican Republic, might have serious repercussions if utilized by Chile, for example, in connection with the copper companies.

(2) The request of the Chase National Bank involves the old question as to what extent the Department will indicate its views regarding a specific loan.

It is recommended that the Department inform the Chase National Bank orally that while the Department ordinarily would not specifically approve or disapprove particular loan transactions, and while it would have no objection from the point of foreign policy to an ordinary loan to the Dominican Republic, it views with concern the proposal to involve the American sugar companies as direct obligors. We might add that this concern does not apply to the direct transfer by the sugar companies to the banks of sugar production taxes as authorized by the Dominican Government; our concern relates to the general responsibility of the sugar companies which the Bank is attempting to secure.

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[37] Bernard F. Haley, Chief, Commodities Division, Donald Hiss, Deputy Director, Office of Economic Affairs, and William A. Fowler, Chief, Division of Commercial Policy.

[38] Robert E. Phelps and George F. Luthringer, Assistant Chief and Associate Chief, respectively, Division of Financial and Monetary Affairs.

It would be preferable to take this up with the Chase National Bank before discussing the matter in detail with Mr. Troncoso—although I personally do not feel it would do any harm to let Mr. Troncoso have a general idea of our views.

Details of the proposed transaction are set forth in the attached draft letter—dated November 3, 1944 [39]—which the Chase syndicate proposes to send to Mr. Troncoso. Certain points of the proposed transaction may be summarized briefly.

(1) The Dominican Government has some $13,000,000 of dollar bonds outstanding. About half are believed to be held in the Dominican Republic—and as a result of full interest payments, generous amortization, and Dominican purchases in the open market the bonds are quoted at about par.

(2) So long as these bonds are outstanding there remains in effect a convention between the United States and Dominican Governments which give us certain responsibilities and powers. This convention we would like to get rid of.

(3) The Dominicans propose to retire the issue—obtaining $5,000,000 from the Chase syndicate and $8,000,000 by local bond issue within the Dominican Republic.

(4) We would very much like to see the dollar bonds retired and the convention eliminated.

(5) The Chase syndicate stipulates:

(*a*) Heavy amortization and reasonable interest by transfers monthly to the bank of sugar production tax payments by the sugar companies.

(*b*) Obligation on the part of the sugar companies—which are mainly American and subject to suit in the United States—as well as of the Dominican Government.

(*c*) A particularly unfortunate clause (#5) about acceleration of maturity.

(6) We must say something as the Department cannot let investors know that it wishes to be informed of investment plans and then fail to react in any way at all. We have in the past not "approved" but orally and informally indicated "no objection" when this was the case. For example, the Secretary so indicated to Mr. Aldrich [40] with respect to the Dutch loan, and he authorized the Chase Bank and the Dutch so to indicate in a press release.

(7) We feel as indicated above that bringing the sugar companies in as obligors would create a very undesirable precedent, although we would have no objection to the mere transfer by the companies of sugar taxes as they accrue.

(8) There is no real likelihood of difficulty in the Dominican case; our objection is on broad grounds. The Dominican sugar companies are very profitable; the sugar revenues are most ample for the purpose; the heaviest amortization is in 1945–46 during which period the British have contracted for the whole Dominican production.

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[39] Not found in Department files.

[40] Presumably W. W. Aldrich, chairman of the Board, Chase National Bank.

839.51/11–344

Memorandum of Conversation, by Mr. Charles C. Hauch of the Division of Caribbean and Central American Affairs and Mr. Willard F. Barber of the Division of Financial and Monetary Affairs

[WASHINGTON,] November 16, 1944.

Participants: Mr. Acheson [41]
Dr. Troncoso, Secretary of State for Treasury [42]
Dr. J. R. Rodríguez, Chargé d'Affaires of the Dominican Embassy
Mr. Hauch—CCA
Mr. Barber—FMA

Mr. Acheson informed Dr. Troncoso that the Department had had an opportunity to study the questions which Dr. Troncoso had presented in his earlier calls regarding the proposed $5,000,000 loan to the Dominican Government by the Chase and other New York banks. The Acting Secretary had also been consulted.

Mr. Acheson stated, as he had before, that the Department had no objection to the loan and retirement of the bonds in general but that there was just one point which gave concern and doubt, i.e., the legal obligation undertaken by the sugar companies to make payments to the New York banks. These payments would be on behalf of the Dominican Government which had received the proceeds of the loan, but the sugar companies could be sued in the United States in case the payments did not all turn out as hopefully as was expected. While there was probably no reason to think that the Dominican operation would not be successful this legal liability raised the general principle of U.S. companies acting as guarantors for the debts of foreign governments and, hence on broad grounds of policy the Department had decided to express its opinion unfavorably. Mr. Acheson reiterated that there was no legal right or authority underlying the Department's statement of its policy, but the Department's opinion had been asked by the New York bankers and hence it was given.

In reply to Dr. Troncoso's inquiry Mr. Acheson added that there was no objection and that it was not a matter of concern to the Department what arrangements might be made between the Dominican Government and its tax payers as to whether taxes would be paid in U.S. dollars to New York banks or to any other arrangements which might be made between the Dominican Government and its tax payers. (In the draft letter which had been prepared by the banks it was not stated that the amounts for which the banks would be liable constituted a tax obligation of the sugar companies towards the Dominican Treasury.)

[41] Assistant Secretary of State Acheson was Chairman of the Executive Committee on Economic Foreign Policy.

[42] Of the Dominican Republic.

In explaining the reason for the Department's doubts Mr. Acheson made clear that while it was not to be anticipated in the present Dominican loan, in other cases, the undertaking of a legal obligation by American companies might produce controversies between:

(*a*) the U. S. companies and the foreign government concerned;
(*b*) different U. S. corporations;
(*c*) the U. S. companies and the Department of State;
(*d*) the Department of State and the foreign governments.

Dr. Troncoso said that he clearly understood the Department's position but that he was now doubtful that the New York banks would conclude the negotiations. Mr. Acheson stated that he did not take so pessimistic a view of the possibility of reaching a satisfactory arrangement with the banks. He added that the Department's views had already been made known to representatives of the Chase Bank. Dr. Troncoso said that while his personal view was that the loan should not require the commitments of the sugar companies, that had earlier been inserted at the insistence of the banks. He was now going to return to New York to attempt to work out a revision of the plan for the loan, after which the plan would again be submitted to the Department.[43]

AGREEMENT BETWEEN THE UNITED STATES AND THE DOMINICAN REPUBLIC APPROVING A MEMORANDUM OF UNDERSTANDING DATED NOVEMBER 1, 1943, RESPECTING THE PURCHASE OF DOMINICAN FOOD SURPLUSES

[For text of agreement effected by exchange of notes signed at Ciudad Trujillo, December 17, 1943, and February 11, 1944, see Department of State Executive Agreement Series No. 404, or 58 Stat. (pt. 2) 1273.]

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[43] Further negotiation with the New York banks and the study of other loan plans during December and the following year produced no definite agreements.

ECUADOR

RECOGNITION BY THE UNITED STATES AND THE OTHER AMERICAN REPUBLICS OF THE NEW GOVERNMENT OF ECUADOR

822.00/1659 : Telegram

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

QUITO, May 29, 1944—11 a. m.
[Received 2:02 p. m.]

516. Following from Williamson[1] received through private Panagra[2] wire:

"US Urgent May 29, 9 a. m. Revolution broke out in Guayaquil about 10 last night. While facts not yet clear apparently was engineered by Captain Girón of the Battalion General Villamil. Army conscripts distributed arms to populace who after disposing of secret police proceed[ed] to engage *carabineros*. Army and navy personnel joined insurgent movement as well as numerous lower ranking officers. Higher army officers meanwhile imprisoned by revolutionists. After all night battle with formidable machine gun, rifle and other fire and presumably heavy casualties revolutionists appear to be in entire control of city and except for isolated resistance to have subdued *carabineros*. Light firing still continues. Governor is reported besieged in his residence. Revolution would appear to be of Velasco[3] origin and also is said to be a protest against alleged oppression of Government."

SCOTTEN

822.00/1662 : Telegram

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

QUITO, May 29, 1944—2 p. m.
[Received 4:46 p. m.]

520. Delayed message from Williamson sent at 1 p. m. this morning reports all Americans Guayaquil appear to be safe.

All information I have received thus far indicates revolutionary movement is of purely domestic political nature and has not been initiated through Axis influence.

SCOTTEN

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[1] Harold L. Williamson, Consul General at Guayaquil.
[2] Pan American Grace Airways.
[3] José María Velasco Ibarra, ex-President of Ecuador, in exile in Colombia; presidential candidate of a coalition of opposition parties known as the Alianza Democrática Ecuatoriana, which overthrew the Government.

822.00/1664 : Telegram

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

QUITO, May 29, 1944—4 p. m.
[Received 8:50 p. m.]

522. The Minister of Foreign Affairs [4] has just come to my office to ask whether I would give asylum to the President [5] in case the situation which, as he described it, is very grave, becomes worse. I informed him this would be impossible under my instructions from the Department and our general policy relating to political asylum. He stated that he understood perfectly my situation.

The Minister of Finance [6] telephoned a few minutes ago inquiring whether the Embassy would accept some valuables for safe keeping. He was informed this would be impossible under our regulations. In case the Department desires me to adopt any other attitude, please telegraph approval immediate instructions through the FBI.[7]

SCOTTEN

822.00/1668 : Telegram

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

QUITO, May 29, 1944—9 p. m.
[Received May 30—6:10 a. m.]

527. The President has turned over the power to Fausto Navarro Allende, Vice President of the Senate.[8] This appointment appears to have enraged the opposition. Disturbances in the center of the city appear to be increasing.

SCOTTEN

822.00/1679 : Telegram

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

QUITO, May 30, 1944—1 p. m.
[Received 7:45 p. m.]

530. A fairly orderly parade of approximately 10,000 people came to the Chancery this morning, the leaders inquired whether the President was in refuge. I personally explained that he was not here, nor in my residence, nor any other refugees. The demonstration passed on and no incident occurred. It was noteworthy that among the usual shouts against the Arroyo regime there were interspersed derog-

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[4] Francisco Guarderas.
[5] Carlos A. Arroyo del Río.
[6] Alberto Wright.
[7] Federal Bureau of Investigation.
[8] The Ambassador in Ecuador reported as follows in telegram 529, May 30, 10 a. m.: "Ex-President Arroyo appears to have taken refuge in the Colombian Embassy." (822.00/1673)

atory references to the Rio Protocol and the recent boundary settlement, also to the alleged loss of territory in the Oriente.[9] The large crowds of people in the center of the city are in an uncertain humor and they are searching automobiles, even those carrying diplomatic license plates, for possible refugees. The temper of the crowd against Arroyo personally seems to be increasing momentarily, many of the shouts demand his head. A serious incident may occur at the Colombian Embassy if the mobs discover he is there.

The Diplomatic Corps met at the Nunciatura a few moments ago; most of the Chiefs of Mission seemed apprehensive for the safety of their respective Missions, several of whom harbor political refugees. They authorized the Nuncio to approach the Junta of the Alianza and request security for the different Legations and Embassies.

Velasco Ibarra himself appears to be proceeding by automobile from the frontier and may arrive this evening. His presence should have a quieting effect upon the mobs. The present report is that he will not himself assume the Presidency but the power will remain in the Junta as at present constituted and elections will be called at which Velasco Ibarra will be elected.

Apparently some misunderstanding exists between the Junta in Quito and the Junta in charge of affairs in Guayaquil and it is too early to predict whether this misunderstanding will be smoothed out or not.

The general strike ended at noon today.

Telegraphic communication has been reestablished with Guayaquil. Panagra will probably recommence its normal operations tomorrow.

SCOTTEN

822.00/1664 : Telegram

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

WASHINGTON, May 30, 1944—3 p. m.

464. Department approves stand which you have taken regarding asylum as reported in your 522, May 29, 4 p. m.

As, however, an Associated Press despatch dated 3 : 45 a. m. May 30, Quito, reports that Arroyo del Río has taken refuge in the American Embassy, the Department would appreciate an urgent clarifying report.

HULL

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[9] For text of the Rio Protocol, see Department of State Executive Agreement Series No. 288, or 56 Stat. (pt. 2) 1818. See also bracketed note, *ante*, p. 213.

822.00/1676 : Telegram

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

QUITO, May 30, 1944—4 p. m.
[Received 8:10 p. m.]

531. The Military Governor of Quito accompanied by another officer has just called upon me to assure me that the military authorities offer every class of protection to this Embassy. I stated that as we had no political refugees, no problem of protection existed but urged that they afford adequate protection to the other diplomatic missions here some of whom had political refugees. They stated that this had already been arranged and that the *carabineros* were now accompanying the Army and were dispersing crowds in front of the other Missions.

They informed me that Velasco Ibarra is expected here within 4 or 5 hours and they are arranging a triumphal entry for him. They added that immediately upon his arrival, the Junta of the Alianza would turn over the executive power to him as Provisional President. He will convoke a National Assembly in the shortest time possible, the maximum time being, they alleged, 60 days. Fair elections will then be held.

They added that the difference of opinion between the military here and in Guayaquil had arisen from the fact that the military authorities in Guayaquil wished the military authorities in Quito themselves to name a Junta but that the military authorities here refused to do so desiring to leave the Government entirely in the hands of civilians. They stated that complete harmony now exists between Guayaquil and Quito.

SCOTTEN

822.00/1684 : Telegram

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

QUITO, May 31, 1944—7 p. m.
[Received 10 p. m.]

543. In a speech which Velasco Ibarra has just made from the terrace of the National Palace, he stated that he would name his Ministers within a few hours. He stated that he is for democracy, will fight for democracy and will collaborate with democracy; that his government will follow a "[apparent omission] Colombia" policy. He promised freedom of speech and suffrage. He asked the people not to spoil their triumph by any undignified actions as all America is watching Ecuador and he promised that "justice will be done".

Although I cannot say officially as yet, he is reported to have assumed power as "Provisional President" and it is stated that he will call a Constituent Assembly which will meet on August 10.

SCOTTEN

822.01/98 : Telegram

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

QUITO, June 1, 1944—noon.
[Received 5 : 47 p. m.]

544. I will send my recommendations later on today regarding the general question of recognition of the new government. However, prior to any determination I would appreciate the Department's immediate instructions whether I should establish an informal contact either with the Minister for Foreign Affairs [11] or with Velasco Ibarra or whether, in case they desire to see me, I should go.

SCOTTEN

822.01/100 : Telegram

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

QUITO, June 1, 1944—2 p. m.
[Received 5 : 47 p. m.]

546. The legal aspects of the new Government appear to be as follows: Velasco Ibarra is in no sense a constitutional president although he has been put into power by the will of the vast majority of the population. His announcement that a Constituent Assembly will meet on August 10 means that delegates to this Assembly will be elected between now and that date. The Assembly itself will draw up a constitution for the Republic and will itself elect a President of the Republic who will of course be Velasco Ibarra.

Until the Assembly meets, Velasco Ibarra in a legal sense could be termed either a dictator or a provisional president with no basis under the law for holding power.

Velasco Ibarra has announced that the 196 [*1906*] Constitution under which the Arroyo administration operated, will remain in force until the Assembly meets except in so far as it contradicts the aims of the revolution.

SCOTTEN

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[11] Camilo Ponce Enríquez.

822.01/99 : Telegram

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

[Extracts]

QUITO, June 1, 1944—5 p. m.
[Received 10 : 23 p. m.]

550. The following observations and recommendations are endorsed by the entire staff, by my British, Brazilian and Belgian colleagues, and meet with the views of those prominent Ecuadorans whom I have consulted as I believe them to be impartial politically and to have given me their sincere opinions.

. . . . . .

My considered opinion, therefore, is that inasmuch as the revolution was not inspired by the Axis or by any foreign power and is of an entirely Ecuadoran political origin and as Velasco Ibarra, even though an illegal President, came into power with the support popularly estimated at over 90 percent of the people, it would not only do us no harm to give speedy recognition to the new government but on the contrary a prolonged delay in recognition would create an unfriendly atmosphere generally throughout Ecuador which would work against our best interests.

The future of the new government itself is uncertain as Velasco Ibarra was supported by a rather tenuous coalition which I feel will tend to split into its component parts. There will doubtless be several changes in the Cabinet as the different parties jockey for position. In the meantime, however, the government has sufficient popular support to enable it to carry out its announced intentions to fulfill its international obligations, is friendly to the United [Nations] war effort and I believe should be recognized without delay. Similar recommendations are being made to their respective governments by my British, Brazilian and Belgian colleagues.

SCOTTEN

822.01/103 : Telegram

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

QUITO, June 1, 1944.
[Received June 2—2 : 09 a. m.]

551. Following is translation of part of report in today's *El Comercio* press interview with Velasco Ibarra last night.

Question: What will be the attitude of the Government with respect to the international agreements of continental solidarity and of aid to the United Nations?

Answer: The government respects all the international obligations contracted by Ecuador. Not only that but even more (for) insofar as

it refers to continental solidarity, the greatest efficacy since it has the collaboration of all the Ecuadoran people. A Government which has this support which can speak in the name of its people is in circumstances much more favorable than any other for fulfilling an obligation of continental solidarity. The same can be said of the United Nations. The Government will scrupulously respect this obligation and it will give its unlimited collaboration being in circumstances much more favorable for doing so; for it can say that aid which it gives is from all the Ecuadoran people which accompanies the Government whatever can serve towards the triumph of democracy, of the liberal spirit of human justice and liberty against Caesarism. The doctrine of racial hatred and subjugation and domination of peoples by terror and force will [not] have the Government on its side and the Government will collaborate with the greatest efficacy in order that the defeat of the dictators may be achieved as soon as possible. It is necessary to banish from the world political, religious and racial hatred and the Government will cooperate in the action of all peoples for accomplishing this.

Question: What will be the attitude of the Government regarding the international obligation with Peru?

Answer: I have already stated on various occasions, having declared this to the press of Colombia, that I respect the obligations contracted by Ecuador in Rio de Janeiro.

Question: You have said that the Constituent Assembly will be convened on the 10th of next August. Could you inform me whether its object would be to issue a new constitution?

Answer: The principal objective of that Constituent Assembly will be the revising and coordinating of all Ecuadoran legislation which today is almost incomprehensible owing to the innumerable laws which have been issued for personal reasons and which do not meet the spirit of our legislation or of the present needs of the Republic.

Question: Do you wish to state that elections for the Constituent Assembly will be called more or less soon?

Answer: Exactly that convocation will be issued in accordance with the provisions of law, and the Constituent Assembly will be convened the 10th of next August, and I will deliver the power into its hands.

SCOTTEN

822.01/101 : Telegram

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

WASHINGTON, June 2, 1944—6 p. m.

471. Reference your cables 544 and 549 of June 1, 1944.[13] You are authorized to establish informal contact with Velasco Ibarra and also with the newly appointed Minister for Foreign Affairs, if you wish, provided that in your opinion the situation continues to be such as to make it in the interest of this Government to do so and provided further that the diplomatic representatives of some of the other American Republics are likewise establishing these informal contacts.

HULL

[13] Latter not printed.

822.01/135 : Telegram

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

QUITO, June 3, 1944—10 a. m.
[Received 11 : 42 p. m.]

557. I have just received a note signed by the new Minister for Foreign Affairs dated June 1st reading in translation as follows:

"I have the honor to inform Your Excellency that on the 29th of the last month Dr. Carlos A. Arroyo del Río presented his resignation as first magistrate of the Republic, the provisional exercise of the Government being assumed by the Political Section [*Board*] of the Alianza Democrática Ecuatoriana until the arrival in this capital of Dr. José María Velasco Ibarra, summoned by the people and the Armed Forces of the country to direct the destinies of the Republic.

Dr. Velasco Ibarra arrived yesterday and took possession of the Presidency of the Republic in deference to the popular plebiscite.

(Here follows a list of the Cabinet Ministers reported in Embassy's telegram No. 545, June 1 [14]). The new Government has declared the constitution of 1916 [*1906*] to be in force and has convoked a meeting of the Constituent Assembly for the 10th of next August.

The Government to which I have the honor of belonging guarantees in the internal sphere all political liberties; and it will have as the criterion of its international relations respect for law and the inviolability of all the international conventions, treaties and agreements, in which Ecuador has taken part. The Ecuadorian Government ratifies its adherence to the principles for which the democratic nations are struggling and its decision that the country will continue collaborating effectively as it has been doing up to now with the Allied and Associated Nations. It offers for the same reason its loyal cooperation to the friendly nations of Ecuador for the development of their mutual relations of every kind and for working jointly in the solution of the grave problems which civilization now confronts.

In bringing the above to the knowledge of Your Excellency it is a particular honor for me to manifest to you that my government will have the pleasure of continuing to cultivate the friendly relations which Ecuador maintains with the nation which Your Excellency worthily represents.

I avail myself, et cetera."

I will not of course acknowledge this note pending receipt of instructions from the Department.

SCOTTEN

822.01/136 : Telegram

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

QUITO, June 3, 1944—1 p. m.
[Received 10 : 48 p. m.]

561. As several of my South American colleagues have already made informal calls upon the Minister for Foreign Affairs, I have

[14] Not printed.

just done likewise in compliance with the Department's 471, June 2, 6 p. m. I have made it clear that my visit did not imply recognition and was purely personal. I found the Minister extremely cordial and gratified at my visit. I thanked him for the expressions in his official note (my 557, June 3, 10 a. m.) regarding solidarity with the United Nations et cetera. He emphasized that Ecuador would do everything within the possibility of its resources to assist in our victory against the Axis. His Government, he added, desires to collaborate with the United States in every respect and more than has been done in the past.

I then took occasion to explain to him with complete frankness our position vis-à-vis Argentina.[15] I found that he had not been entirely clear regarding this and I think my explanation was very timely. He stated that he intended to have an extended conversation with Velasco Ibarra regarding this matter. He pointed out that he had not sent to the Argentine Ambassador an official note similar to the one referred to above which he had sent to myself and the other Chiefs of Mission but that he had sent a third person note as a matter of courtesy and which he assured me in no way implied recognition.

I informed the Minister I would make a similar informal call upon Velasco Ibarra as soon as he returns from Guayaquil. The Minister seemed very pleased at this gesture on my part.

SCOTTEN

822.01/128a : Circular telegram

The Acting Secretary of State to the Diplomatic Representatives in the American Republics Except Argentina, Bolivia, Ecuador, and Brazil

WASHINGTON, June 3, 1944—9 p. m.

(1) This Government has received reports from Scotten that indicate that the Velasco Ibarra Government is in control of the country and that there is no active resistance to it and that it intends to fulfill its international obligations and, furthermore, it has announced its friendliness to the United Nations War Effort.

(2) As reports reaching us indicate no threat to the Hemisphere or to the United Nations war effort nor any pro-Axis inspiration in the Velasco Ibarra revolutionary movement, his Government also appears to deserve recognition from the security angle.

(3) In accordance with Resolution XXII of the CPD,[16] you are requested to consult with the Government to which you are accredited

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[15] See pp. 252 ff.

[16] For text of Resolution XXII of the Emergency Advisory Committee for Political Defense, 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.

and if its views are in agreement with our own with respect to paragraph two, this Government proposes that the present Government of Ecuador be recognized at an early date, preferably within the course of the coming week.

(4) Please endeavor to have the reply of the country to which you are accredited here by Tuesday [17] in order that a date may be fixed immediately for simultaneous recognition.

STETTINIUS

822.01/146d : Circular telegram

The Acting Secretary of State to the Diplomatic Representatives in the American Republics Except Argentina, Bolivia, Brazil, Colombia, and Ecuador

WASHINGTON, June 4, 1944—2 p. m.

Department understands that certain countries, including Brazil and Colombia, are desirous of recognizing the new government of Ecuador at the earliest possible moment. This Government likewise wishes to extend recognition as promptly as possible after it is ascertained that all countries are in agreement (as seems most probable) that pro-Axis inspiration is not a factor.

Please endeavor to obtain immediately the opinion of the government to which you are accredited and inform the Department thereof by urgent telegram today, if possible. Otherwise, telephone, if facilities permit, to the Department on June 5.

STETTINIUS

822.01/145b : Circular telegram

The Acting Secretary of State to the Diplomatic Representatives in the American Republics Except Argentina, Bolivia, and Ecuador

WASHINGTON, June 5, 1944—7 p. m.

This Government, after consultation and exchange of information with other American republics, has received no reports indicating pro-Axis inspiration for the recent change of government in Ecuador. In view thereof and the fact that the new Ecuadoran Government is in control of the country and has announced its intention to fulfill its international obligations, Ambassador Scotten is now being instructed to present a note to the Ecuadoran Foreign Minister as of 5 p. m. Tuesday, June 6, extending recognition.

You are requested immediately to advise the Foreign Minister of the Government to which you are accredited of the foregoing, and

[17] June 6.

express the hope that his Government may take simultaneous action if he considers it appropriate to do so.

You may, in your discretion, also advise the Foreign Minister that in the public announcement which this Government will make of its decision, it will state that prior to arriving at its decision it engaged in consultations with the other interested republics pursuant to Resolution XXII of the Committee for Political Defense at Montevideo and, accordingly, is notifying that Committee of its decision for the Committee's information. The Department hopes that the Foreign Minister will pursue a similar course in announcing his Government's decision.

STETTINIUS

822.01/145c : Telegram

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

WASHINGTON, June 5, 1944—8 p. m.

478. You are requested to address a note to the Ecuadoran Foreign Minister for presentation at 5 p. m. Tuesday, June 6, extending recognition of the new Government. You should in this note include a statement reading as follows:

"Having full confidence in the friendly attitude of the present Ecuadoran Government toward the cause of the United Nations in the present war effort and in its announced purpose to fulfill its international obligations, my Government is pleased to extend to it as from this date full recognition."

STETTINIUS

822.01/143 : Telegram

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

QUITO, June 6, 1944—5 p. m.
[Received 11 : 30 p. m.]

573. I have just presented a note to the Ministry of Foreign Affairs extending recognition in accordance with the Department's 378 [*478*], June 5, 8 p. m. I found several of my colleagues at the Foreign Office on the same errand. Although the Minister Foreign Affairs received me before the others, I informed him that the *démarche* of recognizing his Government at 5 p. m. had been agreed upon between our respective Governments and I suggested to him that in order not to offend the susceptibilities of my colleague[s] it be announced that we had presented our notes simultaneously.

SCOTTEN

822.01/148a : Telegram

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

WASHINGTON, June 8, 1944—9 p. m.

1757. Brazil's unwillingness to engage in consultations with the 18 other republics concerning recognition of the new Ecuador regime, and her action in extending recognition before those republics had completed their consultations, present a problem.

This Government and 15 others are publicly pledged to this procedure in such recognition situations and have carried out their commitments in the two instances, Bolivia [18] and Ecuador, where force was clearly used.

We support the formula not only because we are committed to it but because we regard its foundations as manifestly sound. It is designed to guard against Axis political manipulation in the hemisphere, a subject of paramount importance and of multilateral concern. Since the subject matter is of collective concern, it falls within the area of matters which, under accepted precedents, should be treated by the American republics through the consultative procedure. At any rate, that is the view of this government.

To follow any other course in these recognition matters is to leave the door open to stampedes resulting from the precipitate unilateral action of one government, action which necessarily impedes creation of a united front and disrupts the efforts of other governments to carry out investigations they may rightfully think their interests require. For example, in this very instance, Peru's hand was forced, despite her emphatic preference for simultaneous action, by the Brazilian action, which likewise prejudiced consultative initiative Colombia was then carrying forward.

It may be that Aranha [19] thinks that consultations are required under the Montevideo formula [20] only where there is advanced proof of Axis connections. This is a misinterpretation of the formula, under which consultation is automatically called for by the mere fact of a revolutionary change of government. The subject of the consultations is whether there is evidence in the possession of any government of Axis inspiration or tendencies. If each government were free to determine unilaterally that no such evidence existed and on that ground hold that consultations were not necessary the whole structure would fall. The resolution was intentionally worded to prevent any such abortive construction.

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[18] For correspondence on recognition of the new Bolivian Government, see pp. 427 ff.

[19] Oswaldo Aranha, Brazilian Minister for Foreign Affairs.

[20] Resolution XXII of the Emergency Advisory Committee for Political Defense.

In view of the exchanges of information now taking place with regard to the Bolivian situation it becomes highly desirable to reach some satisfactory understanding with Aranha as to procedure in these matters. As the Department endeavored to indicate in its telegram no. [1687] of June 2 [21] with regard to Ecuadoran recognition, this Government would welcome an assumption of initiative by Brazil in these matters. We do think that it is extremely important that all governments be afforded an opportunity to express their views and that if action is taken it be simultaneous and otherwise collective in character.

We would appreciate your advice in the premises. You have the Department's discretionary authority to go over this whole problem with Aranha if you believe that no further exchange of views with the Department is necessary.

STETTINIUS

822.00/1725 : Telegram

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

QUITO, June 21, 1944—3 p. m.
[Received 6 : 33 p. m.]

645. The foreign diplomats who have political refugees in asylum in their Missions are planning a joint representation personally to the President to endeavor to obtain safe conduct for these refugees to leave Ecuador. The Cuban Minister inquired this morning whether I would be willing to join this representation.

While such action on my part might be justified on humanitarian grounds it would appear inconsistent with our general policy regarding the right of asylum and I would appreciate instructions from the Department as to my course of action.

SCOTTEN

822.00/1725 : Telegram

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

WASHINGTON, June 22, 1944—10 p. m.

539. Your 645, June 21. In view of our traditional attitude regarding asylum in our Missions, and of the fact that asylum has not been extended by you, it is not deemed desirable for you to associate yourself with joint representations.

The Department leaves to your discretion whether you would be justified in informally expressing to appropriate authorities confidence that political refugees will be given every appropriate consideration.

HULL

[21] Not printed.

THE LEND-LEASE ACCOUNT BETWEEN ECUADOR AND THE UNITED STATES

822.24/801

Memorandum by Mr. Orme Wilson, Liaison Officer With the War and Navy Departments

[WASHINGTON,] January 15, 1944.

Major Roberts of the Army Air Forces telephoned me a few days ago in connection with my memorandum of December 10 [22] to Colonel Paige [23] that only the Munitions Assignments Committee could determine whether the 25 A–25 Curtiss-Wright dive bombers could be made available to Ecuador. He asked whether the Department desired to have the Ecuadoran request submitted to the Committee.

After consulting RA,[24] I informed Major Roberts that this Department did not consider with favor the delivery of these planes to Ecuador. He told me that if I would inform him to that effect in writing, he would suggest informally to the Committee that the Ecuadoran request be rejected. He felt certain that the Committee would follow this suggestion.

822.24/8–2244

The Secretary of State to the Ecuadoran Ambassador (Galo Plaza)

WASHINGTON, August 22, 1944.

EXCELLENCY: I have the honor to refer to the Department's Note of December 16, 1942 [22] concerning the presentation of schedules and accounts of deliveries of, and payment for, defense articles made available to the Ecuadoran Government under the terms of the Lend Lease Agreement signed on April 6, 1942 [25] by the representatives of the United States of America and of the Republic of Ecuador.

In this connection there are enclosed two copies of a statement prepared by the Foreign Economic Administration [22] concerning the materials and equipment transferred to the Government of Ecuador up to the date of March 31, 1944. It is noted that the total amount of items listed is $4,964,505.57. In addition to the copies of the statement mentioned, there are enclosed three copies each of detailed schedules and lists [22] of supplies and equipment arranged under the headings of the respective divisions of the agencies through which the materials were obtained.

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[22] Not printed.
[23] Col. H. Ray Paige, Army Air Forces.
[24] Division of the American Republics.
[25] *Foreign Relations*, 1942, vol. VI, p. 379.

The Department will submit at a later date a supplementary statement which will include such additional items as may be delivered to the Government of Ecuador subsequent to March 31, 1944 and which do not appear in the enclosed statement.

I should be pleased if Your Excellency would be so kind as to transmit copies of the enclosed statement, schedules and accounts to the appropriate officials of the Ecuadoran Government to the end that steps could be taken to effect the payments to this Government in the manner prescribed in Article II of the April 6, 1942 Agreement.

It would be appreciated if payment could now be made in the amount of $175,000 which represents the appropriate percentage of the scheduled cost of the materials which were delivered by March 31, 1944. Payment should be in the form of a check drawn to the order of the Treasurer of the United States of America, which could be sent to this Department for appropriate disposition.

For reasons of military security I trust that the statement, schedules and accounts which are enclosed herewith will be treated by Your Excellency's Government on a most confidential basis.

Accept [etc.] For the Secretary of State:
DEAN ACHESON

822.24/10–344

Memorandum by Miss Laura Iredale of the Division of American Republics Analysis and Liaison, for Mr. Henry Dearborn, Division of North and West Coast Affairs

[WASHINGTON,] October 3, 1944.

In answer to your request for figures on lend-lease materials to Ecuador, I have obtained the following figures from Mr. Willett in FEA.

The information which he has given me covers total lend-lease exports to Ecuador from March 1941 through July, 1944. The types of exports are divided into the following categories:

Ordnance	$493,360
Aircraft	1,308,191
Tanks and other vehicles	1,219,989
Water craft	44,000
Agriculture	1,105,000
Industry	1,285,307

The total figure for lend-lease exports to Ecuador from March, 1941 through July, 1944 is $4,351,952.

I think it will interest you to know that Mr. Willett has offered to prepare a table of lend-lease exports to the other American Republics divided into the categories listed above. He has promised to send them

to my office on a monthly basis, consequently, current figures on lend-lease should be available in RL files from now on.

822.24/10–944

The Secretary of State to the Ecuadoran Ambassador (Galo Plaza)

WASHINGTON, November 30, 1944.

EXCELLENCY: I have the honor to transmit herewith two copies each of statement LL–2 prepared by the Foreign Economic Administration and supporting schedules [28] reporting charges made against the Government of Ecuador for the period from April 1, 1944 through August 31, 1944 covering articles transferred to the Government of Ecuador, in accordance with the terms of the Lend-Lease Agreement signed on April 6, 1942 by the representatives of the United States of America and the Republic of Ecuador.

It will be noted that the amount of charges for the period under reference is $849,548.01. It will be noted further that the total charges made through August 31, 1944 for all lend-lease articles transferred to the Government of Ecuador aggregate the grand total of $5,814,053.58.

This Department will submit at a later date an additional statement prepared by the Foreign Economic Administration, which will report similar charges made subsequent to August 31, 1944 and which do not appear in the enclosed statement.

It would be appreciated if the payment on account could now be made in the amount of $200,000 which became due from the Government of Ecuador as of January 1, 1944 under the agreement. This amount includes the sum of $175,000 which was requested in this Department's note dated August 22, 1944. Such payment on account should be made in the form of a check drawn to the order of the "Treasurer of the United States, For the Account of the Foreign Economic Administration" instead of to the order of the "Treasurer of the United States of America" as was indicated in said note. The check should be sent to this Department for appropriate disposition.[29]

For reasons of military security, may I request that the enclosed statement and schedules be treated by your Excellency's Government on a most confidential basis.

Accept [etc.] For the Secretary of State:
DEAN ACHESON

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[28] None printed.

[29] A check for $209,000 to cover the lend-lease account up to February 28, 1945, was transmitted in a note from the Ecuadoran Ambassador on October 16, 1945 (822.24/10–1645).

NEGOTIATIONS WITH THE ECUADORAN GOVERNMENT CONCERNING THE UNITED STATES BASE ON THE GALÁPAGOS ISLANDS[30]

811.24522/42 : Telegram

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

WASHINGTON, January 21, 1944—10 p. m.

59. Your 41, January 12, 7 p. m.[31] Postpone any approach to Ecuadoran Government concerning the Galápagos agreement pending further instructions.[32] The matter is receiving urgent consideration here.

Department would, however, appreciate receiving your own opinion as to the likelihood that the Ecuadoran Government would be agreeable to postpone the signing of any agreement until after the May elections.

HULL

811.24522/47 : Telegram

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

QUITO, January 23, 1944—11 a. m.
[Received 10 p. m.]

59. Reference Department's telegram 59, January 20 [*21*], 10 p. m. In view of the definite attitude of the Minister for Foreign Affairs[33] as set forth in my 54 January 20, 1 p. m.[34] and previous telegrams I consider it unlikely that the Ecuadoran Government would be agreeable to postpone the signing of the Galápagos agreement until after the elections. (The elections are in June and not May.)

The Department might find it helpful to ask the War Department to have Colonel Montesinos[35] proceed to Washington for a conference. I understand he was largely instrumental in negotiating the draft agreement last year and he will be in a position to explain the atmosphere in which those negotiations were conducted. Should the Department follow the suggestion I consider it advisable that I be ordered to Washington for consultation at the same time.

SCOTTEN

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[30] For previous correspondence, see *Foreign Relations*, 1942, vol. VI, pp. 371–379.
[31] Not printed.
[32] For an indication of a previous postponement in the negotiations, see telegrams 835, October 13, 1942, 7 p. m., and 880, October 22, 1942, 8 p. m., from Quito, and telegram 772, October 20, 1942, 9 p. m., to Quito, *Foreign Relations*, 1942, vol. VI, pp. 378–379.
[33] Francisco Guarderas Pérez.
[34] Telegram not printed.
[35] Col. Serafín M. Montesinos, Assistant Chief of Staff, Intelligence Section, Caribbean Defense Command.

811.24522/52 : Telegram

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

QUITO, February 1, 1944—6 p. m.
[Received February 2—12:50 a. m.]

102. My telegram number 59, January 23, 11 a. m. In conversation this afternoon the President [36] brought up the Galápagos Agreement. He stated that the Ecuadorean Congress wished an agreement to be signed without delay and inquired regarding its status. I informed him that I had promptly sent the text of the new draft agreement to the Department but that in view of the many changes the counterdraft [37] required considerable study. The President admitted there were various changes but said these were really in language and not in substance. I replied that although this appeared to be true in general there had been a definite change in article 2 regarding duration. He stated that in his opinion the revised article did not represent any change of substance, as under the previous draft a new agreement would have to be arrived at between the two Governments if we wished to remain after the war. He added that the revision of this article had been made at the insistence of the Committee for Foreign Relations of Congress and said that he himself preferred that it be accepted in its present form as the previous wording created the impression that we wished to stay indefinitely. I did not discuss the question further but merely told the President that I was awaiting instructions.

SCOTTEN

811.24522/58

Memorandum by the Secretary of State to President Roosevelt

On November 15, 1943, you approved the State Department recommendations with regard to the Galápagos Islands.

"(1) that plans be made now to work out at a later date some arrangements satisfactory to the War and Navy Departments, perhaps through inter-American action, and (2) that the agreement already drafted and accepted by both governments be signed without change at once."

Shortly after the Department received your memorandum [38] and before the agreement could be signed, the "Merritt report" [39] was

[36] Carlos A. Arroyo del Río.
[37] Copy transmitted to the Department in despatch 925, January 11, 1944, from Quito, not printed.
[38] Not printed.
[39] Report of a Special Mission of the Aviation Subcommittee of the House Committee on Military Affairs, 1943. The mission was headed by Matthew J. Merritt. For text of report, see House Reports, 78th Cong. 1st sess., vol. 5, report No. 950.

published. The reference in this report to the need for continued use of the Galápagos base by this country after the war caused the Ecuadoran Government to change its mind about signing the agreement as drafted and previously accepted by both Governments. Ecuador has now proposed certain modifications, the principal one being to the effect that the agreement shall remain in force only for the duration of the present world conflict.

The changed circumstances have been discussed with officers of the War and Navy Departments and have been brought to the attention of the Joint Chiefs of Staff, who were informed that the present attitude of the Ecuadoran Government appears to necessitate a new approach to the problem.

With their concurrence,[40] it is therefore recommended

(1) that this Government take no further initiative with regard to the signing of an agreement, at least until after the Ecuadoran elections in June;

(2) that, if the Ecuadorans should insist upon signing an agreement soon, as now appears most probable, the Ambassador be instructed to negotiate an instrument which would contain as few modifications as possible and would in any case terminate not earlier than six months after the end of the war.

This Department, in cooperation with the War and Navy Departments and the Joint Chiefs of Staff, is continuing work on plans for obtaining the permanent use of the Galápagos Islands.

[Washington,] February 5, 1944.

811.24522/55 : Telegram

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

Quito, February 8, 1944—5 p. m.
[Received February 9—1 : 21 p. m.]

123. Reference Department's 95, February 7, 3 p. m.[41] In my opinion the word "ratified" in the preamble [of] the Ecuadoran counterdraft does not signify necessity for approval by the Ecuadoran Congress. This type of agreement may be "ratified" in Ecuador by a simple act of the President. This was done in the case of the Salinas Agreement.[42]

While there appears to be, as pointed out by the Department, an inconsistency between the preamble and article 2, I feel sure the Ecuadoran Government would reconcile this either by omitting the expres-

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[40] This concurrence was expressed in a letter from Adm. William D. Leahy to the Secretary of State, February 5, 1944 (not printed).

[41] Not printed.

[42] This agreement, which was signed on January 24, 1942, empowered the United States to establish a military base in the Salinas District. For text, see *Foreign Relations*, 1942, vol. VI, p. 366.

sion in the preamble regarding "ratification", or if they desire to retain this wording, as well as that in article 2, the President under his powers could "ratify" the agreement simultaneously with the signature.

Without querying the Ecuadoran Government regarding the amendment suggested in point 3 of the Department's telegram, I cannot, of course, say definitely but I do not believe there would be objection to the agreement continuing in force for 6 months after the end of the present conflict.

If a specific terminal date is set for the agreement I agree that the additional paragraph in article 3 is superfluous. It may be that Ecuadoran Government would be willing to omit this paragraph if the Department insists. However, it appears to have been put in for political reasons and to have little practical importance from our point of view.

SCOTTEN

811.24522/68

Memorandum by President Roosevelt to the Secretary of State

WASHINGTON, February 9, 1944.

I have your memorandum of February fifth in relation to the Galápagos Islands. I am perfectly willing to postpone the signing of an agreement until the Ecuadoran elections are over, but I wonder if this is not a good time to say something like this to Ecuador:

(*a*) These Islands represent the oldest form of animal life and should, therefore, be preserved for all time as a kind of international park, the title of which would remain in the Ecuadoran Government but the operation of which would be (1) in the scientific area run by a committee representing each of the 21 Republics and (2) the policing area which would be run jointly by the United States and Ecuador. I think it would be safe to ask Ecuador to abandon any thought of agriculture or cattle raising in the Islands. This would not amount to anything much anyway.

(*b*) To allow Ecuador to conduct mining operations. Some minerals of value may be discovered and the mining of such minerals would not do much to hurt the Islands.

This proposal could well be made by Ecuador at the next Pan American meeting wherever it is held, and it is my thought that Ecuador could be paid an annual rent for the Islands, such rent bringing to Ecuador a little more money than she receives now net out of the Islands. I am certain that the amount is very small because the maintenance of Ecuadoran authority in the Islands must be nearly as great as what she gets from concessions or taxes.

From the point of view of Ecuador itself, I think such a proposal should come from Ecuador. Under it Ecuador would retain her sovereignty, and the policing by the United States and Ecuador ought

to give adequate opportunity to use the Islands for the protection of the whole Continent of South America and the Panama Canal.

F[RANKLIN] D. R[OOSEVELT]

811.24522/45

The Director of the Office of American Republic Affairs (Duggan) to the Ambassador in Ecuador (Scotten)

WASHINGTON, February 23, 1944.

DEAR BOB: This comes to tell you of one important consideration regarding the Galápagos agreement which it was thought advisable to refrain from mentioning in the detailed instructions[43] which you should receive in this mail.

The Ecuadoran Government may perhaps interpret our willingness to sign an agreement terminating at a specific time after the end of the war as an indication of a policy decision on our part respecting the post-war use of the Galápagos base. I am sure you will understand that it is of highest importance that officials of this Government avoid saying anything which might lend support to such an interpretation, or indeed making any remark which the Ecuadoran Government or any of its officials could use, now or later, in support of a claim that the United States has committed itself in any way with respect to the question of possible use by us of a base in the Galápagos Islands after the war.

Although I am very conscious that this fact will increase the difficulty of your task in negotiating a satisfactory agreement, I felt you would wish to have this information.

There is one other point about which I should like to make a comment. While the War and Navy Departments have approved the Department's instruction under reference, they both remarked that their preference would have been to limit to the first three points and not to go into detail with respect to the other matters which are referred to in the instruction. They were willing to defer to the Department's opinion on this point, however, and it is our view that you should be as fully informed as possible in the premises. Furthermore, it is to be noted that you will be negotiating on the basis of the Ecuadoran counterdraft rather than on that of the original draft. For that reason, it would seem absolutely impracticable to omit numbered paragraph four and the numerous lettered paragraphs. I believe, in view of the attitude of the War and Navy Departments, that you should bend every effort to securing Ecuadoran acceptance

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[43] *Infra.*

of all of the original draft except those parts covered by numbered paragraphs one to three.

With best wishes for your success,

Sincerely yours, LARRY

811.24522/45

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

[Extract]

No. 539 WASHINGTON, February 23, 1944.

SIR: This Government has given very careful consideration to the Ecuadoran counterdraft of the Galápagos agreement (your despatches no. 900, January 6, and no. 925, January 11 [44]). Although we would still prefer to postpone the signing of any agreement until after the Ecuadoran elections were it possible to do so, you are authorized to enter into conversations with the Ecuadoran Foreign Minister with a view to negotiating a mutually satisfactory agreement. In so doing you are instructed to state:

(1) That the United States Government considers it essential that the clause in the preamble of the Ecuadoran counterdraft relating to ratification be omitted. This Government believes that the use of the word "ratified" might lead to misunderstanding as to the nature of the agreement and to possible complications. Moreover, it would appear that the apparent purpose of that clause can be accomplished without any special language. This Government would not authorize the signature of an agreement which had not been previously approved by appropriate authorities here, and the President of Ecuador could presumably "ratify" this agreement, as he did the Salinas agreement (your 123, February 9 [8], 1944, 5 p. m.), despite the fact that it contains no such language.

(2) This Government is agreeable to the elimination from Article II of the clause in the original draft which relates to the possible continuation of the agreement into the post-war period. However, we believe that if the agreement were to terminate immediately upon the end of the war, it would be impossible to provide for an orderly readjustment to peace-time conditions. We therefore propose that Article II read as follows:

> "This agreement shall become effective from the day of its signature, and shall continue in force for the duration of the present world martial conflict *and for one year thereafter.*"

It will be noted that this follows the language of the Ecuadoran counterdraft except for the addition of words underlined.[44a]

For your strictly confidential information, this Government is prepared to accept if necessary an agreement terminating six months after the end of the war. Therefore, while it would from our point of

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[44] Neither printed.

[44a] Printed in italics.

view be preferable for you to propose at first a one-year clause and only to retreat to six months if necessary, you are authorized, if in the light of existing circumstances you deem it to be the best course, to substitute "six months" for "one year" in your initial discussion on this point. In either case you should insist upon at least six months, and should, if the course of the discussions requires you to do so, make it clear that this Government considers this clause absolutely essential.

It is possible that the Ecuadoran Government may remark that the one-year clause was in the original Salinas agreement (Embassy's despatch no. 2534, January 25, 1942 [45]) and was later eliminated. In this event you should call attention to the fact that Article XV of the original Salinas agreement differed essentially from the present proposal in that it contained a renewal clause.

(3) The United States wishes to amend the last sentence in Article VI of the Ecuadoran counterdraft to read as follows: "Correspondence sent from Ecuadoran territory shall bear Ecuadoran postage stamps except when mailed at United States Army or Navy post offices."

(4) With respect to the rest of the agreement, the United States Government believes that the early signing of a mutually satisfactory agreement would be facilitated by the acceptance of the language in the draft previously agreed upon and initialed. Although it is true that most of the changes introduced into the Ecuadoran counterdraft are matters of form rather than substance (your 102, February 1, 6 p. m.), the meaning of some of the new language is not entirely clear to this Government. Unless the original draft is accepted (except as indicated in points one to three above), there may be needless delay occasioned by the necessity to reach an understanding as to the exact import of the Ecuadoran changes. In this connection you may in your discretion point out that the original draft was agreed upon and initialed. You may also wish to remark that in general the original draft follows the general ideas of the Salinas agreement more closely than does the Ecuadoran counterdraft and in certain clauses contains language identical to that of the Salinas agreement, and to express the view that it is of course to be desired that agreements on similar matters be as similar as possible in order to further consistency of administration and interpretation.

(5) After a mutually satisfactory instrument has been drawn up by yourself and the Ecuadoran Foreign Office and agreed to by both governments, arrangements will be made to send an officer from the Caribbean Defense Command to Quito to sign it.

. . . . . .

Very truly yours, EDWARD R. STETTINIUS, JR.

811.24522/68

Memorandum by the Secretary of State to President Roosevelt

WASHINGTON, March 30, 1944.

In your memorandum of February 9 concerning the negotiation of an agreement on the Galápagos base, you raised the question as to

[45] *Foreign Relations*, 1942, vol. VI, p. 365.

whether the present might not be a good time to initiate discussions with Ecuador regarding the establishment of an international wildlife preserve in the archipelago. The Department has been giving this matter very careful consideration.

You will doubtless recall that an inter-American Convention on "Nature Protection and Wildlife Preservation" was opened for signature in October, 1940, and proclaimed by you on April 30, 1942.[46] Article VI of this Convention was introduced at the suggestion of this Government for the specific purpose of establishing a basis for agreement with Ecuador respecting the Galápagos Islands substantially along the lines indicated in your memorandum. Although signed on behalf of Ecuador in October, 1940, the Convention has never been ratified by that Government.

In view of that fact and of the sensitiveness of the Ecuadorans where the Galápagos are concerned, I propose, with your approval, to make no further approach to the Ecuadorans now on this matter, in order to avoid possible jeopardy to negotiations recently authorized relating to the use of the base during the war or enhancement of the difficulty of obtaining post-war rights.

You may be sure, however, that we will follow through on the question of the post-war status of the Galápagos at the earliest possible juncture, both as regards wildlife preservation and in relation to our military needs.

I believe you will be interested in the attached copy of a resolution unanimously adopted by the Inter-American Defense Board on March 14.[47] This resolution, which I understand has been brought to the attention of the Joint Chiefs of Staff, is based on, and clearly states, the principle of inter-American cooperation for the future defense of the hemisphere, along the lines mentioned in Mr. Stettinius' memorandum to you of November 11, 1943.[48] Paragraph 2(*d*)[49] was introduced by the United States delegation for the specific purpose of providing inter-American sanction for such agreements regarding bases as we may wish to negotiate, and should prove very useful in that connection.

C[ORDELL] H[ULL]

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[46] Department of State Treaty Series No. 981; 56 Stat. (pt. 2) 1354.

[47] Not printed.

[48] Not printed; it was a request for the President's advice on the position to be taken with respect to Galápagos.

[49] This paragraph provided for reciprocal use of the bases by the American Republics for common security against aggression.

811.24522/65 : Telegram

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

QUITO, March 31, 1944—2 p. m.
[Received 10:48 p. m.]

322. The President called the Minister for Foreign Affairs and myself to his office this morning to discuss the Galápagos agreement. He immediately referred to Article II as proposed in the Department's instruction 539 February 23 and stated that although he realized that it would be impossible for us to give up the base immediately upon the expiration of the war, the one year period would be inacceptable to the Ecuadorean Congress as it is unnecessarily long and would create the impression that we desired to stay there indefinitely. He said a shorter period was essential and I therefore inquired whether 6 months would be acceptable. He agreed but stated that some explanation would have to be inserted in the agreement and he proposed the following terminology to follow the phrase world martial conflict: "and for 6 months after its termination, a period which is considered necessary for a demobilization".

I await the Department's instructions on this point.

The President accepted the amendment regarding postage stamps as set forth in point 3.

Although the Minister for Foreign Affairs seemed disposed to accept point 1 in the Department's instruction regarding ratification the President called my attention to the fact that the Salinas agreement contains a ratification clause in its preamble and stated he was unable to understand why we insisted that this clause be omitted from the Galápagos agreement. I am hopeful in my further discussions of being able to persuade the President to accede to our position but in the meantime it would be helpful if the Department would inform me why in this respect it views the Galápagos agreement as necessarily differing from the Salinas agreement.

Regarding point 4 in the Department's instruction the President insisted that most of the changes where [*were?*] necessary from the standpoint of accurate interpretation of the Spanish language. The Minister for Foreign Affairs suggested that he and I could go over all the changes in detail with a view to reconciling the apparent differences. Although I pointed out that since I would have to submit each change to the Department and this would cause a considerable delay the President insisted that this be done. I will report to the Department after my conversation with the Minister.

SCOTTEN

811.24522/87

Memorandum by the Ambassador to Ecuador (Scotten), Temporarily in the United States

[WASHINGTON,] May 1, 1944.

In my opinion, no attempt should be made to initiate negotiations looking toward permanent rights or a long-term lease for our base in the Galápagos until a change of the administration in Ecuador. This should take place on September 1, next.

The present situation is that the Rio de Janeiro Protocol [50] which attempted to settle the Peru–Ecuador boundary dispute [51] is extremely unpopular in Ecuador. Both the United States and President Arroyo are, rightly or wrongly, blamed for allegedly having forced this Protocol upon Ecuador. Popular opinion feels that Ecuador has already lost a large part of its territory unjustly and in my opinion President Arroyo would not dare to present Congress with any plan whatsoever which contemplates the extension of our rights to the Galápagos base farther than that stipulated in article II of the draft agreement now under consideration.

It is my feeling that it would be wiser to defer the whole question of acquiring permanent rights in the Galápagos either until the war is over or until its end is very close. The reason I say this is that I believe it will be just as easy to negotiate the agreement at the end of the war as it will at the present time, and furthermore, because I do not believe even our military people can foresee what the conditions of air power, et cetera, will be at the end of the war, which may last, let us say, for four years. At the present time our military do not apparently consider the base at Salinas as essential as they did at the beginning. By the end of the war it may again be considered essential and in this case, the negotiations for the Galápagos base should include the one at Salinas also. Furthermore, the passage of time will allow Ecuadoran feelings regarding the boundary settlement with Peru to cool down and it may be that by then an administration will be in power in Ecuador which would be easier to deal with than the present one or the one immediately succeeding it. I would suggest that this matter should be left somewhat to the discretion of our Embassy at Quito in the sense that whenever in its judgment an administration comes in which is especially friendly to the United States, the negotiations for the Galápagos could immediately be undertaken at that time.

I cannot see that a delay will in any sense hamper our chances of getting post-war rights in the base and it may well be that the price

[50] Signed by representatives of the mediating powers as well as by those of Peru and Ecuador; for text, see Department of State Executive Agreement Series No. 288, or 56 Stat. (pt. 2) 1818.

[51] See bracketed note, p. 213.

we will have to pay will be considerably less than should we attempt to negotiate an agreement at this time.

At the present time, Ecuadoran finances are in very good shape due largely to our purchase of strategic materials. At the end of the war, our procurement programs will probably diminish if not cease entirely. This may result in a severe financial and economic crisis in Ecuador which in itself would make our bargaining position as regards price much easier than at present.

It is my thought that whenever an agreement is eventually negotiated, it would facilitate the negotiations for a long-term lease with yearly payments rather than an immediate cash settlement. I say this because an immediate cash settlement would only be of benefit to the party in power at the time it was paid, whereas yearly payments would insure that succeeding administrations receive the benefits therefrom.

My observations set forth above are based entirely upon conditions existing in Ecuador as I see them and have no relation to any reasons of a political or financial character existing in the United States.

ROBERT M. SCOTTEN

811.24522/76 : Telegram

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

WASHINGTON, May 20, 1944—8 p. m.

186. For Scotten. War and Navy Departments have approved latest Ecuadoran counterdraft of Galápagos agreement, which is identical with that you brought here with you except for omission of ratification clause in Preamble. Quito was informed by telegram of May 17 [52] that this Government will be ready to sign once certain minor changes have been made in Spanish text. Embassy has been asked to telegraph the Department if Ecuador is similarly ready, and been informed that General Brett [53] will then be requested by War Department to send an officer to Quito to sign.

HULL

811.24522/76 : Telegram

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

WASHINGTON, June 22, 1944—4 p. m.

534. In view of the change of government in Ecuador [54] the Department would appreciate receiving urgently by airmail despatch your

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[52] No. 430, not printed.

[53] Lt. Gen. George H. Brett, Commanding General, Caribbean Defense Command.

[54] For correspondence on the recognition of the new government in Ecuador by the United States, see pp. 1036 ff.

estimate of the probable attitude of the new Ecuadoran Government toward the question of negotiations for the Galápagos base, and your recommendations as to the course this Government should follow in this regard. It would be helpful if you would indicate particularly:

(1) Whether the present Ecuadoran Government is likely to bring up in the near future the question of an agreement for the wartime use of the base, and if so, what attitude this Government should adopt in view of its interest in obtaining long term rights to a base in the archipelago.

(2) Whether, if the present government wishes to sign such an agreement, the draft transmitted in the Embassy's despatch no. 1485 of May 3, with the revisions proposed in the Department's 430, May 17, 8 p. m.,[55] would be acceptable to it.

(3) Whether there is any likelihood that the change in government in Ecuador may make it possible to begin negotiations soon with a view to obtaining long term rights to a base. In this connection you will recall that in conversations in the Department you expressed the opinion that such negotiations should be delayed until after the inauguration in September.

Have you any reason to change the views expressed in the memorandum [56] you left with the Department on the question of delaying these negotiations?

HULL

811.24522/6–2344

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

No. 1720 QUITO, June 23, 1944.
[Received June 29.]

SIR: I have the honor to refer to the Department's confidential telegram No. 534, June 22, 4 p. m., asking me to submit my views regarding the probable attitude of the new Ecuadoran Government towards the question of negotiation for the Galápagos Base.

In reply the Department is advised that the new Government has been in power for such a short time that I have received no indication from any source as to its probable attitude on this matter. However, as the Department has been advised in previous reports, during the first days of the revolution one of the principal criticisms of the Arroyo Government in the various revolutionary manifestations was that Arroyo had sold out Ecuador through the signature of the Protocol of Rio de Janeiro, etc. This indicates that the question of further cession of territory is still a highly dangerous political question for whatever Government is in power and I am forced to the

[55] Neither printed.
[56] Memorandum of May 1, p. 1061.

conclusion that certainly for the time being until the Velasco Ibarra regime feels itself to be considerably firmer than it is at present it would be very loath to cede us permanent rights or long-term rights in the Galápagos unless we were willing to pay such a high price that this Government could justify to the populace such a cession on the basis of value received. For this reason I believe that the initiation of any negotiations must inevitably be delayed until after the constituent assembly meets on August 10.

Answering the Department's questions specifically, I believe that the present Ecuadoran Government may well bring up in the near future the question of an agreement for the war-time use of the Base. My feeling is that as regards the war-time use of the Base the draft already transmitted by the Embassy together with the revision proposed in the Department's 430, May 17, 8 p. m.,[57] would probably be acceptable to this Government.

Although, as indicated above, I have received no indications of the attitude of this Government, it may be worthwhile to recall that when Velasco Ibarra was in exile in Chile about a year ago he is reported by the press to have made a statement to the effect that if the United States wished to obtain permanent rights in the Galápagos and if he were President of Ecuador he would ask $100,000,000 for these rights.

My feeling is that we should wait until the Ecuadoran Government brings up this question and when it does bring it up I should be authorized to state that in view of the development of air power which has been evidenced by the progress of the war, my Government would prefer to negotiate a long-term lease of the Base or actual acquisition. I could then inquire whether this Government would be interested in such an agreement. Such a query would bring into the open the real attitude of this Government and we could decide upon our course of action based upon our attitude as evidenced in this first conversation.

If the Department agrees with this point of view, I suggest that authority be sent me without delay in order that I may be prepared in advance as to what attitude I should take when this matter arises.

Respectfully yours, R. M. SCOTTEN

811.24522/7–644 : Telegram

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

QUITO, July 10, 1944—6 p. m.
[Received July 11—3 : 35 p. m.]

690. I am glad to report that the Minister for Foreign Affairs[58] called me to his office this morning and told me that following our

[57] Not printed.
[58] Camilo Ponce Enríquez.

conversation reported to the Department in my 680, July 6, noon,[59] he had spoken to the President and was able to inform me that the Ecuadoran Government desires "as a gesture of international courtesy" to offer the United States the right to maintain our base in the Galápagos as long as we wish after the war. He added that if we so wished, his Government desired to go even farther than the suggestion I had made to him [60] and would give the United States the right to abandon the base at any time it saw fit by declaring unilaterally that there no longer exists any danger of aggression by a non-American power against an American power. The Minister added that he is ready to sign an agreement or a "protocol" regarding this whole matter in any form we desire. I thanked the Minister profusely for this generous offer and stated I would transmit it immediately to the Department.

The Minister did not raise the question of any compensation and it is my impression that no compensation will be asked for although I cannot of course guarantee this pending the actual signature of an agreement.

It is my feeling that we should nail down this offer with the least possible delay before this Government changes its mind.

Parenthetically I believe this offer may be due to the Secretary's having made very clear to Galo Plaza [61] our opinion of the action of Ecuador in recognizing Argentina [62] and also to my own efforts here along these lines. My belief that the Secretary may have spoken personally to Galo Plaza is based on the fact that during the course of the conversation with the Minister for Foreign Affairs he stated that apparently the Secretary has not truly understood the purposes of the recent Ecuadoran revolution and he asked whether in my opinion it would be advisable for him to proceed to Washington to explain the desire and firm intention of the Ecuadoran Government to cooperate with the United States. I reiterated very frankly our views regarding the action taken by Ecuador vis-à-vis Argentina but I stated I did not consider a visit to the United States by him necessary at this time as it was my hope and belief that the generous offer of the Ecuadoran Government as regards our base in the Galápagos would in a great measure convince the Department that its offers of cooperation do not consist of words alone but have now been translated into definite action. In view of the above I venture to suggest that the Secretary may wish personally to express to Galo Plaza his appreciation of the attitude of this Government and to indicate in some way his present

[59] Not printed.

[60] The Ambassador had suggested in a personal way and without instruction, that article II of the pending Galápagos agreement be changed to allow the United States occupancy in the post-war period until the two Governments decided to terminate it (811.24522/7–644).

[61] Designated as Ecuadoran Ambassador to the United States.

[62] For correspondence on U.S. efforts to enlist the American Republics and the United Kingdom in a common policy toward Argentina, see pp. 288 ff.

conviction that the Ecuadoran Government is disposed to cooperate with the United States.

The Department may decide that even though the draft agreement was negotiated for the period of the war it will be suitable for the postwar period if Article II contains a modification along the line suggested this morning by the Minister for Foreign Affairs. In case this be true I suggest either that I be instructed to sign the agreement without delay or that an officer be sent from Panama as soon as possible to sign it.

When I was in the Department recently Assistant Secretary Berle informed me of the desire of our Government to negotiate an agreement for a "participating base" at Salinas. If this is still the Department's desire believe we should strike while the iron is hot and as soon as the Galápagos matter is nailed down, I should be instructed to negotiate this participating agreement.

SCOTTEN

811.24522/7–1044 : Telegram

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

WASHINGTON, July 14, 1944—7 p. m.

602. The Department is very pleased with the developments regarding the Galápagos base which you have reported in your 690, July 10, 6 p. m. and in earlier messages. You are requested in your discretion to convey informally to the Foreign Minister your Government's appreciation of the fine spirit of cooperation which the Government of Ecuador has shown in making the offer which he submitted to you on July 10. Please inform him also that your Government is giving urgent consideration to the problem, and hopes to communicate further on the subject through you in the very near future.

In the meantime the Department would appreciate receiving urgently your views on the following points:

(1) Whether there are compelling arguments either for or against concluding an agreement prior to the August elections.

(2) Whether it would be desirable to endeavor to include both the Galápagos rights and provision for the participating base at Salinas in an overall agreement or whether you feel that the Salinas matter should be deferred until after the Galápagos question is settled.

For your information, Galo Plaza, who presented his credentials to the President yesterday, has mentioned to no one the subject of bases.

You may be assured that everything is being done at this end to expedite action.

HULL

811.24522/7–1644 : Telegram

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

QUITO, July 16, 1944—11 p. m.
[Received July 16—10 p. m.]

710. Department's 602, July 14, 7 p. m.

1. The arguments for concluding the Galápagos agreement before the Constituent Assembly in August are definitely compelling and are the following: (*a*) The Velasco government has dictatorial powers at present but after convening of Assembly these will presumably lapse with the result that any agreement would probably necessitate approval by the new Congress and thus be far more difficult; (*b*) the present Government is by no means firmly entrenched and there is much evidence that an attempt against it may be made in the near future, possibly even before the Assembly; and . . . I feel as stated in my previous telegram that every effort should be made to nail down this offer before the Government changes its mind.

2. I fear that to attempt to incorporate in the same agreement provisions regarding the Salinas base would serve to delay matters and might inspire a request for compensation for both. I therefore recommend that the Galápagos agreement be concluded first and I venture to repeat with the minimum of delay. However, I believe that all necessary preparations should be made to permit the negotiation of the Salinas agreement immediately upon the conclusion of the Galápagos agreement.

SCOTTEN

811.24522/7–1744 : Telegram

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

QUITO, July 17, 1944—6 p. m.
[Received 11:30 p. m.]

714. I brought the first paragraph of the Department's 602, July 14, 7 p. m., to the attention of the Minister of Foreign Affairs today. The Minister stated that since our conversations he has been studying this whole question and he feels that the agreement which we sign for the postwar status of the Galápagos bases should be a formal international treaty and not a purely military agreement such as the Salinas agreement. The Minister was, however, speaking informally and I do not believe he has any definite opinion regarding this matter.

In case the Department desires the agreement to be of a military nature and not a formal international treaty I suggest that when the Department sends to me the instructions contemplated in the telegram under reference it explain the reasons for its preference in the premises.

SCOTTEN

811.24522/7–1944

Memorandum of Conversation, by Mr. Henry Dearborn of the Division of North and West Coast Affairs

[WASHINGTON,] July 19, 1944.

Participants: Brigadier General F. S. Clark (U.S.A.)
Captain P. L. Carroll (U.S.N.) of the Joint Post War Committee
Mr. Johnson (RL)[63]
Mr. Woodward (ARA)[64]
Mr. Keith (BOL)[65]
Mr. Tewksbury (Commercial Attaché, Quito)

It developed in the first few minutes that the representatives of the Joint Post War Committee had not understood what the representatives of the Department had thought was definitely settled—namely that the proposed agreement for the use of the Galápagos should be a military rather than a political document. They expressed great surprise and stated that since all their information had been given to their Committee on the understanding that the agreement was to be signed by political officers they would have to go over the whole ground again. General Clark informed the group that General Strong[66] had been unenthusiastic about the whole question of trying to use the unsigned draft and had been inclined to recommend doing nothing whatever; however, the latter had stated that he would not interfere since the agreement could be looked upon as the first of several necessary "bites". General Clark gave as his opinion that General Strong would not consider the signing of a military agreement as a step toward the fulfillment of post war aims. He further argued that the time element was against a military agreement in view of the urgency held to be called for and in view of the many channels of the War and Navy Departments through which the agreement would have to go.

Mr. Keith and Mr. Johnson pointed out that the Department's desire was to obtain the goal of the Army and Navy to as great an extent as possible in the shortest possible time that it could be done on a lasting basis. They stated that the military agreement being suggested was definitely in their opinion a step toward the fulfillment

[63] Joseph E. Johnson, Division of American Republics Analysis and Liaison.
[64] Robert F. Woodward, of the Office of American Republic Affairs.
[65] Gerald Keith, formerly Chief of the Division of Bolivarian Affairs, assigned to the Consulate at Barcelona.
[66] Maj. Gen. George V. Strong, a member of the Joint Post-War Committee of the Joint Chiefs of Staff.

of military post war requirements and that, in fact, satisfying those requirements was the prime purpose for suggesting such an agreement.

At length the Committee's representatives appeared to be convinced that the procedure recommended by the Department was a "first bite". They said that they would lay the matter before General Strong in this light and report his reaction.

Mr. Keith consulted Mr. Hackworth [67] as to whether a political or military agreement would be best under the circumstances. The latter stated that either the Ambassador or a military representative might sign the document. He said that if it were signed by a military officer the question of informing Congress would not arise, but if signed by the Ambassador it should at least be shown to the Chairman of the Senate Foreign Relations Committee after signature. Mr. Hackworth mentioned that if a political document were decided upon, the question of appropriations might come up. General Clark thought it would also arise if a military instrument were signed. Finally, Mr. Hackworth warned that special care should be exercised to see that whatever Ecuadoran official signed the agreement was fully empowered to do so in order that no question of legality might arise on this point at a later date.

It was then considered whether or not the Ambassador might sign for the military authorities. It was observed that he might do so if so empowered, but no conclusion was reached on the desirability of this procedure. The whole question of signature was in fact left for later decision.

Mr. Johnson had drafted an instruction to Ambassador Scotten, setting forth the specific terms he was to seek to obtain from the Ecuadoran Government and also including clauses not deemed essential but highly desirable. This draft was discussed in detail and a number of changes were effected. Mr. Johnson had also prepared an explanatory letter to General Marshall [68] and a copy of this, together with a copy of the instruction to Ambassador Scotten, was delivered to the representatives of the Joint Post War Committee. It was made clear that these drafts did not reflect the views of the Department since they had not been cleared and were subject to change or omission after discussion with Mr. Berle and Mr. Duggan.

The day's discussion ended with the understanding that the Department's representatives would take up with Mr. Berle and Mr. Duggan the questions which had arisen and that the Committee's representatives would follow a similar course with it.

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[67] Green H. Hackworth, Legal Adviser.
[68] Gen. George C. Marshall, Chief of Staff, United States Army.

811.24522/7–2644 : Telegram

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

QUITO, July 26, 1944—9 p. m.
[Received July 27—6:12 p. m.]

753. My conversation this afternoon with the Minister for Foreign Affairs regarding the Galápagos matter took a somewhat surprising turn. The Minister stated that if we were desirous of quick action on the agreement under consideration, he was willing to sign it before the Constitutional Assembly meets on August 10 but he suggests the following modifications.

The first paragraph of article I is modified to read "to do the following on Seymour Island, also called Baltra Island, located in the Colón Archipelago (Galápagos Islands)".

He has changed the Department's draft of article II to read as follows,

"This agreement will become effective from the date of its signature and will continue in force for the duration of the present martial conflict between any of the countries of the Axis and the United States of America.

"When this conflict has ended, the Governments of the United States and Ecuador may agree upon the conditions for renewing the present agreement, introducing such modifications as may be desirable; but if they do not do so, it will be understood that the present agreement will remain in effect for 5 years beginning from today, that is until the . . . . . of July, 1949. Upon the termination of this period, all the works, installations and equipment existing on the base granted shall become the property of Ecuador."

He suggests the following addition to article IX:

"However, if the Government of Ecuador is interested in seeing that these improvements not be removed, the Government of the United States is obliged to transfer them to its ownership."

I informed the Minister that I could foresee objections to the request of Ecuador to receive all the movable equipment, including armaments in the base. The Minister is obviously trying to obtain what he can, but I believe that if we object strongly to this request or perhaps if we modify it to the extent of giving Ecuador part at least of the movable equipment, he will withdraw his present request.

He pointed out that article X is badly drafted in the sense that after the words "reasons to the contrary" there should be a period and the rest of this sentence omitted.

The Minister then stated frankly that he was certain that the United States desired a permanent base in the Galápagos as well as an agreement respecting the postwar use of the Salinas base and if so his Government would have no objection to negotiating a global arrangement respecting these two bases. I said this was very interesting and

I would submit to the Department for consideration. This led to a general discussion of what our military authorities would desire as a permanent base. I informed the Minister that I was entirely without instructions but I imagined that the recent warfare in the Pacific had probably convinced them that to make a base really effective, a main airport with several complementary airports would be necessary. I added that if this were true, it might be necessary to construct airports in islands other than Seymour Island where our base now is. The Minister made no objection to this and I believe such an accord could be negotiated to the satisfaction of our Joint Chiefs of Staff.

The Minister added that since President Roosevelt had spoken to Ambassador Galo Plaza of his interest in having established in some form a national park in the Galápagos this could also be included in the negotiations if we so desired.

The Minister then indicated without being specific that although Ecuador had very little interest in the Galápagos, it had interest in many other matters pertaining to its national rehabilitation and he implied, that if these bases were ceded to the United States on a long term basis, Ecuador would expect some form of compensation.

He referred again to the term "permanent base" and stated that, since an absolutely permanent concession would involve accession of territory, his Government would be unable to sign a treaty on those terms, but he suggested it might be either for a long term of years or perhaps for periods of years with provision for renewal.

The result of the recent elections has had a tranquillizing effect upon the situation. I believe it probable that this Government will remain in power longer than has been previously anticipated and I am convinced that the present time is propitious for the long term negotiations suggested by the Department.

The Minister indicated that if this were done, he would expect a formal treaty, the provisions of which could if we both desired remain secret.

Although I have not been informed what the maximum and minimum desires of the Joint Chiefs of Staff are, it is my impression that we can obtain either depending of [*on*] the amount of compensation we are willing to grant.

SCOTTEN

811.24522/7–3144 : Telegram

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

WASHINGTON, July 31, 1944—9 p. m.

650. The Department believes it desirable to conclude, before the Constituent Assembly meets, an agreement for the Galápagos base

for the purpose of formalizing the arrangements under which we are now continuing to use the base. It is important, however, that such an agreement should (1) safeguard adequately our use of the base during the present war; (2) not hamper negotiations for a satisfactory long-term agreement; and (3) not commit us now absolutely to evacuate the base unless a long-term agreement is concluded within five years. In the opinion of the Department the amendments of the Ecuadoran Foreign Minister transmitted in your 753, July 26, do not meet these conditions.

The Department hopes that you will find it possible to conclude the agreement as authorized in the Department's 625 [69] except only for possible further modification in Article II as described subsequently in this telegram.

The Department assumes that Ponce's proposed revision of Article II is designed (*a*) to permit the negotiation of a new agreement before the end of the five-year period and (*b*) to make sure that Ecuador retains the right to terminate the present instrument at the end of five years if no new agreement is signed prior to that time. With respect to (*a*) while it is our belief that the language proposed in the Department's 625, July 21, does not preclude negotiation of a new agreement during that period, there is no objection to inserting language which will make that point clear. For this purpose, it is suggested that, if the Ecuadorans wish, you propose that Article II read as follows: "This agreement will become effective from the date of its signature. Unless superseded by a new agreement at any time thereafter, it shall remain in force for a period of five years beginning from today, that is until the (inserting appropriate date) of August, 1949, and shall remain in force thereafter unless after full consultation between the two governments either notifies the other government of its intention to terminate the agreement, in which case the agreement will lapse twelve months from the date on which such notice shall have been given".

With respect to (*b*), you will observe from the above that this Government strongly prefers the language proposed in its 625, to that suggested by the Foreign Minister, as the latter would automatically terminate the agreement at the end of five years unless a new agreement had previously been signed. Furthermore, Ponce's language, strictly construed, would not permit negotiation of a new agreement until after the end of the war. In explaining to the Foreign Minister this Government's preference, you will undoubtedly wish to point out that the language proposed above will permit the

[69] Telegram of July 21, 1944, 7 p. m., not printed. In this telegram the Department suggested that the pending agreement be modified to permit a post-war use of the base until one or the other party gave notice of intent to terminate the agreement. (811.24522/7–2144)

Ecuadoran Government to terminate the agreement at the end of five years if it so desires. The only difference therefore as far as Ecuador's possible desire to terminate the agreement is concerned, is that it must give formal notice after due consultation. The termination at the end of five years is therefore possible under our suggested draft but is not automatic.

With respect to the other amendments proposed by Ponce you should state that the points involved are such that agreement on them would appear to be impossible before August 10. You should add that your Government realizes that several articles of the present agreement as they stand would need to be modified in a long-term agreement. You should state that you have been instructed to deliver to him at the time of signature of the agreement a note stating that this Government will be prepared to enter upon negotiations for a formal long-term treaty at such time as the Ecuadoran Government may indicate its desire to do so. You may mention orally that the question of appropriate compensation would, of course, be considered in any such negotiations, and that they could cover the Galápagos, Salinas and possibly some form of park or other arrangements for the preservation of wildlife in the Archipelago.

For your own secret use a summary, with appropriate comments, of the maximum and minimum requirements of the Joint Chiefs of Staff is being prepared and will be transmitted to you at the earliest possible moment, together with a draft which could form the basis for negotiations for a long-term agreement.

For your secret information the suggested modifications mentioned in your telegram 753 are impracticable for the following reasons: the first paragraph of Article I would be too restrictive and acceptance of this limitation even in a temporary agreement might seriously handicap later negotiations which would definitely have as their objective obtaining as a minimum a lease on Santa Cruz Island and North Seymour Island, in addition to Baltra (Seymour) Island. Ponce's proposed addition to Article II providing that all works, installations and equipment shall become the property of Ecuador at the end of five years is too broad to be acceptable. The suggested addition to Article IX is likewise impossible to grant. You will appreciate that this Government cannot withdraw from a base so vital to the defense of the Panama Canal, leaving the base in full operating condition.

The Department hopes that the Foreign Minister has no serious objection to Article X as it now stands since it does not appear practical to attempt to revise the wording of that article and obtain the approval of both parties in the time remaining.

STETTINIUS

811.24522/8–1944 : Telegram

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

QUITO, August 19, 1944—1 p. m.
[Received 10:08 p. m.]

824. Embassy's telegram 805 [*804*], August 16, noon.[70] United Press despatch from Washington given prominence in the local press this morning reports that Senator McKellar [71] stated in the Senate yesterday: "The Galápagos Islands belong to Ecuador and I believe that we have certain maritime rights and certain aerial bases, but we must become the owners by any means. Ecuador possesses these islands and there is no doubt that we can make some peaceful arrangements with that country for the purpose of acquiring the islands. We are aware of the interests of Ecuador. The Monroe Doctrine is still in effect." The despatch also states that "McKellar undoubtedly has not read the news from Ecuador and does not know in this connection that it is being planned to insert a clause in the new constitution which will make it impossible for Ecuador to renounce its sovereignty over these islands."

Efforts are being made in the Constitutional Assembly regarding the aforementioned clause and the appointment of a committee in the Assembly on August 16 to study certain phases of the Galápagos matter was reported in the Embassy's despatch No. 2005 of yesterday,[72] which should arrive in the Department Monday.

President Velasco Ibarra is reported in the press this morning to have replied to a newspaper reporter's question as to his views concerning Senator McKellar's bill saying, "The isolated opinion of one or twenty Americans is not to be taken as a definite resolve of the American authorities in deliberate exercise of their authority and of their responsibility." At the same time the President made a lengthy statement denying imperialistic designs of the United States Government and commenting very favorably on United States foreign policy, including unselfish cooperation with Ecuador and maintenance of the principles of the Atlantic Charter. Full text being forwarded by despatch.

The proposal of Senator McKellar has been extensively commented upon in the local papers which, although they refer in friendly terms to our foreign policy and point out that McKellar's proposal is not to be considered representative of the Government, support the efforts in the Assembly to declare all Ecuadoran territory inalienable.

SCOTTEN

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[70] Not printed.
[71] Senator Kenneth McKellar, of Tennessee.
[72] Despatch not printed.

811.24522/10–2744

Memorandum by the Acting Secretary of State to President Roosevelt

WASHINGTON, November 2, 1944.

I believe that you will be interested in the most recent developments concerning our prospective negotiations for military bases on Ecuadoran territory and for climatological research and wild life preservation in the Galápagos Archipelago.

The Department of State and the Joint Post War Committee of the Joint Chiefs of Staff have agreed on a draft of a bilateral agreement for the leasing of bases on Ecuadoran territory over a period of 99 years. The principal points are: (1) the leasing of three islands (Baltra, North Seymour and Santa Cruz) in the Galápagos Archipelago and of a small area (Salinas) on the mainland; (2) the joint surveillance for security purposes of that part of the Archipelago not leased; (3) the payment of an annual rental to be decided upon in the course of negotiations.

For negotiation simultaneous with the base agreement, the Department has prepared a bilateral climatological research and wild life preservation agreement to be applied to the Galápagos Archipelago. The Joint Post War Committee of the Joint Chiefs of Staff has studied this and offers no objection.

The two agreements are to be transmitted immediately to our Ambassador in Quito with instructions to begin negotiations at the earliest possible moment.[73]

EDWARD R. STETTINIUS, JR.

811.24522/10–1344

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

No. 935 WASHINGTON, November 14, 1944.

SIR: In your Telegram No. 898 of October 13, 1944,[74] you stated that you believed the time to be ripe for commencing active negotiations for military bases on Ecuadoran territory. In this connection, the Department, closely collaborating with the War and Navy Departments, and in complete agreement with those Departments, has prepared the enclosed drafts of two bilateral agreements [75] (one of which deals with wild life preservation) for simultaneous secret negotiations to be initiated by you with the Republic of Ecuador. You are

[73] See *infra*.
[74] Not printed.
[75] Neither printed.

requested to proceed with these negotiations immediately unless you perceive some reason for timing your action differently.

The Joint Chiefs of Staff of the War and Navy Departments submitted to the Secretary of State in a letter (copy enclosed) dated July 19, 1944,[76] their maximum and minimum military requirements. The enclosed agreement entitled "Cooperation for Defense of the Hemisphere and Mutual Security" provides for obtaining from Ecuador, as you will observe, less than the maximum and somewhat more than the minimum designated by the Joint Chiefs of Staff.

Article I names the areas to be leased from Ecuador by the United States. There was some discussion in the Department as to whether or not an effort should be made to lease the whole Galápagos Archipelago, but it was felt that such an effort would be unfavorably received throughout the Western Hemisphere and would probably hinder the Ecuadoran Government in the negotiations. The actual leases referred to in the last paragraph of Article I will be forwarded to you as soon as the base agreement itself has received the approval of both Governments.

If during the negotiations, you find it necessary to give way in one respect in order to obtain an advantage of major importance, you should consult the Department. The features deemed absolutely essential by the War and Navy Departments are (1) the minimum lease appearing in the letter of the Joint Chiefs of Staff; (2) a high degree of control over the bases in the Galápagos Archipelago; (3) the joint surveillance of that part of the Archipelago not leased; (4) restriction on granting rights to third nations as stipulated in Article V; (5) exemption from customs duties and other charges as set forth in Article XII. These points are mentioned for your information so that you will have in mind those provisions of the agreement in respect to which the War and Navy Departments will, in all probability, not approve any modification.

The Department has discussed in confidence the agreement on "Scientific Study, Research and Wild Life Preservation in the Galápagos Archipelago" with a responsible official of the Smithsonian Institution and with the Joint Post War Committee of the Joint Chiefs of Staff. The former, in view of the plans which it had developed for a research station in the Archipelago prior to the present world conflict, would doubtless be the "agency" appointed by this Government under Article I; the interest of the Joint Chiefs of Staff is obvious from the context of the agreement.

President Roosevelt has expressed a deep interest in a wild life agreement, and it is hoped that the Ecuadoran Government will approve the consideration of this subject along with the matter of the

[76] Not printed.

bases. It is suggested that in the course of discussions you stress the international prestige which Ecuador would gain by having a station in the Galápagos such as that contemplated by the Smithsonian Institution.

After initiating your discussions with the Government of Ecuador, you are requested to carry forward negotiations as rapidly and as forcefully as sound tactics in your judgment permit. You will, I am certain, keep the Department fully informed concerning the progress of the negotiations and transmit to the Department any suggestions which you deem appropriate.

Very truly yours, EDWARD R. STETTINIUS, JR.

811.24522/12–1544 : Telegram

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

QUITO, December 15, 1944—2 p. m.
[Received December 16—3 : 02 p. m.]

1189. Galo Plaza has just informed me that the Assembly having learned from the government that the Galápagos negotiations had commenced, demanded and received from the Minister for Foreign Affairs a copy of our draft agreement. He added that this draft was discussed in a secret session of the Assembly day before yesterday. He stated that after a reading of the draft article by article, the numerous deputies of the Assembly who our [*are?*] lawyers asserted that the agreement as drafted is in complete derogation of the sovereignty of Ecuador and as such is utterly unacceptable. Plaza claims he will within the next few days be called before the Assembly to discuss this matter and he will endeavor to convince the Assembly that an agreement of some sort is necessary. He is convinced that the present draft is utterly unacceptable and must be completely changed to avoid offending Ecuadoran pride et cetera, et cetera. He claims that no amount of compensation however large would make the present draft acceptable to the Assembly.

I informed Galo Plaza that he must realize that our draft agreement was the first step in an international negotiation and that we would of course at any time be willing to consider an Ecuadoran counterdraft. He indicated that the temper of the Assembly was that it wished no long term agreement whatsoever. He repeated that President Velasco Ibarra is in favor of an agreement (my 1154, December 4, 6 p. m.[77]) but that the Executive is powerless to negotiate any agreement without the prior approval at least in principle of the Assembly. I told Plaza that I had been informed some time ago

[77] Not printed.

that after Estrada's [78] return to Ecuador the Assembly had given the Executive authority to negotiate an agreement for the Galápagos with the United States (my 1051, November 2, 1 [*11*] a. m.[79]). Plaza replied that the Galápagos agreement mentioned in that statement was the short term agreement which we were negotiating at the time the Arroyo Government fell and that it did not refer to a long term lease.

Although Plaza may of course be doing a little horse trading in the sense of attempting to convince me how difficult this matter is I have heard other reports of the meeting of the Assembly referred to above and they appeared to confirm his statements regarding the antagonistic spirit evide[nt]; the present situation is seemingly inconsistent with that reported to me previously by Galo Plaza (my 1154, December 4, 6 p. m. and 1167, December 7, 12 noon [*midnight*] [80]). I can only conclude that Plaza's former reports to me were either overly optimistic or that the temper of the Assembly has changed possibly due to the stormy sessions held recently resulting in numerous sanctions being applied against members not only of the Arroyo government but of the Mogquera government of 1938 and the Cordova government 1939.

SCOTTEN

811.24522/12–2844 : Telegram

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

QUITO, December 28, 1944—5 p. m.
[Received 11:38 p. m.]

1225. Reference my 1213, December 23, noon [*midnight*].[79] Galo Plaza informs me that at the end of a stormy session in the Assembly last night concerning the Galápagos Salinas negotiations, the draft agreement which we presented was disapproved but approval was given to the Executive to proceed with negotiations for a new agreement. Plaza claims that compensation was not discussed but that the general opinion appears to favor his own views that some lasting rehabilitation projects will be asked for.

Plaza adds that he is discussing this matter further this evening with the Advisory Commission of the Foreign Office. He plans to go with me to the Galápagos next week for one day and from there to Washington.

SCOTTEN

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[78] Victor Emilio Estrada; he visited Washington to discuss financial matters as a personal representative of the Ecuadoran President.
[79] Not printed.
[80] Neither printed.

811.24522/12–3044 : Telegram

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

QUITO, December 30, 1944—1 p. m.
[Received 7 p. m.]

1231. An Associated Press despatch from Washington published in *El Comercio* this morning indicates that the communiqué of the Constitutional Assembly regarding the Galápagos negotiations reported my 1227, December 29, 11 a. m.[81] is being interpreted in the United States as tantamount to a termination of the negotiations. The Minister for Foreign Affairs informed me today that the communiqué should not be given the interpretation aforementioned and that it was the intention that the negotiations should continue, thus confirming the information given to me by Galo Plaza as reported in my telegram under reference.

SCOTTEN

EFFORTS OF THE UNITED STATES AND ECUADORAN GOVERNMENTS TO CONTROL FINANCIAL TRANSACTIONS INVOLVING THE AXIS[82]

710 Consultation 3 A/644 : Telegram

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

QUITO, February 22, 1944—5 p. m.
[Received February 23—1 a. m.]

174. Department's 131, February 17 [*18*], midnight [*8 p. m.*].[83] Situation in Ecuador is substantially same as reported in Embassy's despatch 550, October 8 [83] although problem was alleviated by deportations in December and January. Principal present needs appear to be deportation of several remaining Axis leaders (which will be difficult if not impossible at this time because of political factors); tightening of immigration, passport and alien registration control (Embassy believes Ecuador does not have organization and personnel to make these effective); and blocking of Axis funds in possession of Spanish Legation (which will be requested of Foreign Office as soon as Ecuadoran officials being repatriated leave Lisbon). Aside from deportations very effective informal cooperation of *carabineros* and similarly effective work of blocked properties control Ecuador has done virtually nothing to implement recommendations by visiting delegation of Montevideo Emergency Advisory Committee.[84]

Remaining known Axis leaders are being carefully watched and are probably not causing difficulties now although they represent

[81] Telegram not printed.
[82] Continued from *Foreign Relations*, 1943, vol. VI, pp. 304 ff.
[83] Not printed.
[84] For correspondence on U.S. participation in the work of this Committee, see pp. 1 ff.

potential danger. It is possible Axis has one or more unknown active agents in this country and our agents with active cooperation of *carabineros* are constantly searching for such individuals. I believe these efforts are far more effective than any advantages that might be derived from formal reformation of government immigration passport or registration measures, which at best could probably be eluded by enemy agents. It would be highly desirable if two additional *carabinero* instructors whose assignment here has been under consideration by Federal Bureau of Investigation could be furnished at early date.

In case of political trouble here, which seems possible, remaining Axis nationals and sympathizers would be expected to support any movement against our war effort or United States interests, but such disturbances would probably be due to purely internal factors and not to Axis influences.

SCOTTEN

840.51 FC 22/36 : Airgram

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

WASHINGTON, June 27, 1944—6 : 30 p. m.

A–307. Reference your airgram no. A–274 of May 26[85] requesting any expression of opinion which it may be politic to make at this time concerning the plan to permit or require the investment of blocked funds in Government bonds.

The question of post-war disposition of frozen or controlled funds of enemy nationals is one which has not as yet been settled in the United States. Your airgram under reference indicates that this problem has also not been settled in Ecuador. Without attempting to indicate what may be the eventual disposition of the funds belonging to nationals of enemy countries, it may be observed that a highly desirable attribute of such funds is liquidity. Should such funds be required for special purposes, ability to convert the form in which the funds are held into cash or stable and negotiable securities will be highly important.

It, therefore, seems undesirable that frozen funds should be invested in such property as land or buildings. There does not, however, appear to be any harm in permitting or requiring the investment of such funds in bonds issued by the Government or political subdivisions thereof, provided the securities and all interest accruing thereto are effectively blocked as your airgram indicates would be the case in Ecuador.

[85] Not printed.

The Embassy is authorized to communicate the foregoing views to appropriate officials of the Ecuadoran Government.

HULL

840.51 FC 22/7–1244 : Airgram

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

QUITO, July 12, 1944—2 p. m.
[Received July 18—8 a. m.]

A–349. . . .

. . . It was indicated in Report No. 50 [86] that the new Government was giving every assurance of cooperation and firmness in maintaining the controls already established and events since the date of the Report give no reason to believe that the assurances were insincere. It is submitted that the cancellation of the "Ecuapetrol" [87] concession is an earnest of good faith. An officer of the Embassy has been working closely with the new Director of the Control. Each point of the agreement made with the former government as a condition precedent to the deletion program has been discussed with him in detail and he has stated that he is in complete accord.

. . . . . .

SCOTTEN

740.22112 R.P./7–2444

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

No. 802 WASHINGTON, August 17, 1944.

The Secretary of State refers to the Embassy's report no. 68 [88] of July 24, 1944 entitled "Monthly Report of Operations on Freezing and Blocked Properties Control". The report encloses a statement of securities belonging to certain Proclaimed List nationals, indicates that the Blocked Properties Control has adopted a passive attitude with regard to the disposition of such securities, and requests the comments of the Department concerning the fact that the Embassy has not especially urged the forced sale of these securities in view of the Government's intention of investing all blocked funds in bonds.

Department's airgram no. A–307 of June 27, 1944 concerning the investment of blocked funds stressed the importance of maintaining blocked funds in a liquid condition. Since the Ecuadoran Government is planning to invest all blocked funds in bonds, the question in this instance resolves itself into a matter of relative liquidity, the

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[86] Not printed; this was a monthly report of the Embassy, dated June 19, 1944, on the control of frozen and blocked properties.

[87] Ecuapetrol, Cía. Petrolera y Comercial, a Proclaimed List firm dealing in oil.

[88] Not printed.

most important consideration being whether the present securities may be considered a liquid investment. If they are prime securities of the type having a ready market the Department believes that no useful purpose would be served by attempting to ascertain whether they are more or less liquid than the Government bonds in which the proceeds would be invested.

The Embassy does not mention the possibility that the securities might give the Proclaimed List nationals a substantial control over the activities of firms which issued the securities. The Department, therefore, assumes that this is not the case. If this assumption is correct and the securities may be considered a liquid investment the advantage of urging the forced sale of the securities in question does not appear to be very great, and the Department would not suggest that the Ecuadoran Government be urged to force the sale of the securities, especially not at this time when the transfers that have been made by the Blocked Properties Control are being questioned in some circles. At the present time it would appear to be more desirable for the Embassy to emphasize the preservation of the transfers that have been made rather than to urge new forced sales of questionable value to the war effort.

740.22112 RP/8–2644

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

No. 2040 QUITO, August 26, 1944.
[Received August 30.]

SIR: I have the honor to refer to the Department's confidential instruction No. 802 of August 17, 1944 (File No. 740.22112 RP/7–2444), in which the Embassy was informed that, if certain enemy-owned securities now blocked by the Ecuadoran Government could be considered liquid investments, the Department would not suggest that the Embassy attempt to urge the forced sale of such securities.

It has been ascertained that all the securities blocked and mentioned in the Embassy's report No. 68 of July 24, 1944 [89] may be considered relatively liquid. Shares in "La Previsora", Banco Nacional de Crédito are easily disposed of in the Ecuadoran market, the selling rate generally fluctuating between par value and 10% above par. The other investments mentioned are relatively less liquid, the market for them being slow and uncertain. It is estimated, however, that most could be sold at not less than 30% below par. In no case are the blocked securities sufficiently numerous to give the listed owners any substantial control over the issuing firms or entities.

[89] Not printed.

In view of the Department's instruction and the facts in the preceding paragraph, the Embassy does not contemplate suggesting to the Ecuadoran authorities that efforts be made to force the sale of the securities in question.

Respectfully yours,

For the Ambassador:
E. ALLEN FIDEL
Economic Analyst

740.22112A/8–1744 : Airgram

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

WASHINGTON, September 1, 1944—12: 10 p. m.

A–411. Reference is made to Embassy's despatch no. 2001 of August 17, 1944 [90] concerning the decree authorizing the review and revision of transfers of Axis properties made under the Blocked Properties Control.

The Department concurs in the position of the Embassy as stated in the penultimate paragraph of this despatch to the effect that the interest of the United States in the question of Axis properties is primarily that the properties are not returned to their owners. Naturally, the Department would not look with favor on the transfer of the property to other inimical interests. However this does not appear to be a real danger since decree no. 488 provides that if a transfer is annulled the properties or enterprises in question shall pass to the National Bank of Development.

The Department is prepared to present Group 3 deletion recommendations to the Interdepartmental Committee for consideration for Supplement VIII–1 of the Proclaimed List, but since Group 3 is comprised of the names of liquidated firms, and persons who have departed from Ecuador, the Department would appreciate confirmation as soon as possible that the present government will abide by the assurances given by the former government to the effect that deletion from the Proclaimed List will not cause the unblocking of their funds in Ecuador. In this connection see Embassy's note no. 65 of February 3, 1944, paragraph 2(*a*), to Minister of Foreign Affairs (Enclosure 1 to despatch no. 1367 of April 13, 1944) [91] and the Minister's reply of March 30, 1944 (Enclosure 2 to despatch no. 1367 of April 13, 1944) wherein the Ministry of Finance signifies its acceptance of all the conditions contained in Embassy's note no. 65.

HULL

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[90] Not printed.

[91] Despatch and enclosures not printed; paragraph 2(*a*) stated a condition to delisting, namely, that Ecuador continue to block, after deletion from the Proclaimed List, funds of repatriated or deported Axis nationals and of liquidating firms (740.22112A/244).

740.22112A/12–444

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

No. 2430 QUITO, December 4, 1944.
[Received December 11.]

SIR: I have the honor to refer to the Embassy's despatch No. 2292 of October 28, 1944,[92] concerning Proclaimed List deletions, and to the Department's airgram No. A–411 of September 1, 12:10 p. m., 1944, and the Embassy's airgram No. A–428 of September 7, 2:00 p. m., 1944,[93] concerning continued blocking of funds of persons and firms included in Group III of the general deletion plan for Ecuador as a condition for their removal from the Proclaimed List.

On September 5, 1944, the Embassy addressed to the Ministry of Foreign Affairs a note[94] which requested a specific statement of the Ecuadoran Government's attitude toward the question of continued blocking of funds of liquidated firms and departed Axis nationals proposed for deletion. A copy of the note is attached. The Embassy has now received a reply in which the Ecuadoran Government indicates its agreement and acceptance of the proposed conditions. The reply states that measures have already been taken by the Ecuadoran Government, in the form of Decree No. 291 of July 15, 1944, to assure continued blocking of the funds in question. A copy of this note, No. 74–DC–4 [9] of November 16, 1944, together with a translation, are also transmitted herewith.[92]

Ecuadoran Decree No. 291 was reported in the Embassy's despatch No. 1768 of July 6, 1944.[92] The decree provides that liquid blocked funds of persons included in the Proclaimed List shall be utilized for the capital of the National Bank of Development and the Provincial Banks; as guarantee for these funds, the Ecuadoran Government will issue bonds of one thousand sucres each, redeemable within a period of 20 years and bearing interest not to exceed six per cent annually. Article 4 of the decree makes the following provisions:

"The Government of Ecuador in agreement with the United Nations and when they consider that there is no longer a danger in delivering these funds, shall draw up a list of persons to whom the delivery relates and shall proceed to carry it out.

Mr. Hector Terneus, Director of the Blocked Properties Control, has indicated that the bonds and interest and amortization payments will be deposited in the blocked accounts of the Proclaimed List nationals. These will not be delivered to the owners until an agreement to that effect is reached with the United Nations, as provided in Article 4 of Decree No. 291.

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[92] Not printed.
[93] Latter not printed.
[94] Note No. 340, not printed.

In the opinion of the Embassy, the Ecuadoran Government has satisfactorily met the conditions set forth for the deletion of the remaining names included in Group III of the Embassy's despatch No. 1367 of April 13, 1944,[95] and approved in the Interdepartmental Committee's records of action of August 31 and September 4, 1944. The Embassy, therefore, has no objection to the deletion of these names, with certain exceptions noted below, in Cumulative Supplement No. 4 to Revision VIII. If these deletions are approved by the Department, the Ecuadoran Blocked Properties Control will be provided with a list of the persons and firms whose accounts are to remain blocked after deletion of their names from the Lists, in accordance with the terms of the Ecuadoran Foreign Office note of November 16, 1944.

In making a final review of Group III names, the Embassy has reached the conclusion that certain names formerly recommended for deletion in this group should, because of their close identification with totalitarian activities in Ecuador, be retained on the Proclaimed List at least until the cessation of hostilities in Europe. It is believed that deletion at this time of names as notorious as these might affect unfavorably the prestige of the List. It is therefore recommended that the following names be withheld from deletion:

[Here follows a list of names recommended for retention on the Proclaimed List.]

Respectfully yours, For the Ambassador:
HOWARD H. TEWKSBURY
Commercial Attaché

840.51 FC 22/12–844

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

No. 2459 QUITO, December 8, 1944.
[Received December 13.]

SIR: I have the honor to report that a Ministerial Resolution was published in the *Official Register* of September 29, transferring the funds held in blocked accounts from the Central Bank to the National Bank of Development.

In accordance with Executive Decree No. 291 of July 15, 1944, it was provided that twenty-year non-transferable bonds might be issued against funds held in blocked accounts.

In order to increase the available capital of the National Bank of Development, the Government has decided to turn the funds held by the Central Bank in blocked accounts over to the National Bank of Development. It is understood that up to the present time no bonds or other securities have been issued by the National Bank of Develop-

[95] Not printed.

ment against the funds thus received, but it is understood that this action is contemplated.

It is reported that approximately 11,000,000.00 sucres were held in the blocked accounts in the Central Bank. In agreement with the Director of Blocked Properties, 9,000,000.00 sucres were transferred to the National Bank of Development in accordance with the decree referred to. The remaining funds will be held in the Central Bank to provide for the payment of monthly allowances for living expenses authorized under previous legislation.

A copy of the Ministerial Resolution as published in the *Official Register* of September 29 is attached, together with a translation.[96]

Respectfully yours, For the Ambassador:
HOWARD H. TEWKSBURY
Commercial Attaché

[96] Not printed.

EL SALVADOR

REVOLUTIONS IN EL SALVADOR; POLICIES OF THE UNITED STATES AND OTHER AMERICAN REPUBLICS REGARDING THE RIGHT OF ASYLUM AND RECOGNITION

816.00/1222 : Telegram

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

SAN SALVADOR [undated].
[Received April 2, 1944—8:55 p. m.]

Revolutionary movement began San Salvador 4 o'clock this afternoon April 2. Captain Massey [1] requests War Department be informed.

THURSTON

816.00/1221 : Telegram

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

SAN SALVADOR, April 2, 1944—7 p. m.
[Received 11:30 p. m.]

99. My 98.[2] Authoritative reports on uprising are not available. It is asserted, however, that movement is military in character but, inspired by and associated with civilian opposition group.

The El Zapote barracks near the Presidential Palace and the central police station are said to remain loyal and General Martínez [3] is believed to be at latter place. The suspension of electric service about an hour ago may mean that Government resistance is growing.

There has been sporadic firing but nothing to indicate heavy fighting. All Americans are believed to be safe.

THURSTON

816.00/1238b : Telegram

The Secretary of State to the Ambassador in Guatemala (Long) [4]

WASHINGTON, April 3, 1944—5 p. m.

200. A serious revolutionary movement appears to have broken out in El Salvador. Although our information is only preliminary, it

[1] Capt. G. B. Massey, Acting Military Attaché.
[2] Dated April 2, 6 p.m., not printed.
[3] Maximiliano Hernández Martínez, President of El Salvador.
[4] Repeated as telegrams Nos. 155 to Nicaragua and 86 to Honduras.

does not indicate that there are any Nazi influences involved or that other influences hostile to continental security are in any way concerned. Under these conditions, and in the absence of any contrary information, the Department proposes, in the event that the revolution is successful, to apply standard policy in the matter of recognition, subject, of course, to inter-American consultation and exchange of information as provided in Resolution XXII of the Montevideo Committee.[5]

The above is for your information only at the present stage. However, in the event the matter is brought up by the Government to which you are accredited, you should discreetly discourage any attempt to involve the fate of the Martínez administration with the security of the hemisphere.

The Department's information indicates that the struggle now going on in El Salvador is purely internal. The Department is confident that in view of the nonintervention pacts to which all the American Republics are parties it will be kept so.

The Department believes that the principles set forth above are fully understood and accepted by the Government to which you are accredited and that they will be adhered to spontaneously, so that it will not be necessary for you to discuss these principles. The Department, however, gives you discretionary authority to place its views before the Government to which you are accredited in the event you have well-founded reason to believe that that Goverment is considering a contrary policy.

HULL

816.00/1238a : Telegram

The Secretary of State to the Ambassador in Guatemala (Long)[6]

WASHINGTON, April 3, 1944—6 p. m.

201. You are requested to discuss the subject matter of the Department's preceding telegram[7] with your military, naval and legal attachés, if available, and to request them very discreetly to note whether there is any movement of arms or forces which indicate any intention of interfering in any way in the Salvadoran revolutionary disturbance.

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[5] For text of Resolution XXII of the Emergency Advisory Committee for Political Defense, 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. For correspondence regarding this Committee, see *ante*, pp. 1 ff.

[6] Repeated as telegrams Nos. 156 to Nicaragua and 87 to Honduras.

[7] Telegram No. 200, *supra*.

Please report to the Department any significant information pertaining to the above.[8]

HULL

816.00/1233 : Telegram

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

SAN SALVADOR, April 3, 1944—10 p. m.
[Received April 4—11:52 a. m.]

104. With the other members of the Diplomatic Corps I have just visited President Martínez in the central police barracks. He stated that all organized resistance has ended with the exception of that in the barracks of the second infantry which he expects to overcome within a few hours.

I felicitated him upon the reestablishment of order.

The badly led uprising has resulted in moderate loss of life and some property damage the most notable being the destruction by fire of almost an entire block of residence and business buildings in the center of the city.

THURSTON

816.00/1249

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

No. 1448 SAN SALVADOR, April 5, 1944.
[Received April 13.]

SIR: I have the honor to make the following report in amplification of telegram No. 106, dated April 4—3 p. m.[9]

Monday afternoon, April 3, the Mexican Ambassador [10] the Guatemalan,[11] Nicaraguan,[12] and Costa Rican Ministers,[13] and the British [14] and Cuban Chargés d'Affaires were assembled in my office at four o'clock for the purpose of discussing the situation created by the revolution then in progress and in particular the efforts of the so-called Revolutionary Junta or Directorate to induce the Diplomatic Corps to make certain representations to General Martínez presumably with a view to an armistice or cessation of hostilities. A representative of the Junta or Directorate, Señor Crescencio Castellanos Rivas, was

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[8] Replies from Guatemala, Nicaragua, and Honduras (telegrams Nos. 217, 215, and 102 of April 4, respectively), reported no indications of interference; telegrams not printed.

[9] Not printed.

[10] Francisco Mora Plancarte.

[11] Francisco E. Toledo.

[12] Juan Marcos López Miranda.

[13] Jorge Loria Matamoros.

[14] Edgar James Joint.

present in the Embassy together with a companion named Gavidia (who incidentally took the occasion to deliver to me a telegram from Americans in Santa Ana which he stated had been removed from the body of a person "we have just shot on the street").

While the Diplomatic Corps was in consultation a tank (one of those furnished the Government of El Salvador by the Government of the United States under Lend-Lease arrangements connected with the protection of the Hemisphere, three of which had been seized by the revolutionists) drove past the Embassy with its guns firing. The firing by the tank was for the purpose of clearing the street. There was no opposition of any kind, and no pursuit of any kind. The tank dominated and could have continued to dominate the entire section of the city in which the Embassy is situated. It turned around a short distance beyond the Embassy and returned, stopping directly in front of the Embassy entrance. After a few moments the turret door of the tank was opened and two officers cautiously emerged and rushed into the Embassy. I went to receive them and the senior officer introduced himself as Colonel Tito Calvo. Assuming that he had presented himself at the Embassy in connection with the negotiations which the revolutionists were seeking to initiate, I brought him into my private office so that the Diplomatic Corps might hear his statements. I also brought in Sr. Castellanos Rivas.

Colonel Calvo, who appeared to be under great nervous strain, stated that in obedience to the will of the majority of the Salvadorans and acting in patriotic good faith he had risen against the Government of General Martínez, but that events had taken the course "which we all knew" and that he had therefore come to the American Embassy to seek asylum. I immediately stated to Colonel Calvo that I could not grant him shelter in view of the fact that the Government of the United States does not recognize the doctrine of asylum.[15] Colonel Calvo thereupon appealed in turn to each of the other diplomats present only (and despite the fact that at an earlier meeting in my office the Latin American diplomats had solemnly assured one another that they would grant asylum to applicants from either side in the conflict) to be refused by all. The British Chargé d'Affaires stated that his Government likewise does not subscribe to the practice of asylum.

Shortly thereafter (over half an hour later or perhaps more) a detachment of Government forces appeared at the Embassy and stated to me that they had been informed of the presence of a tank in the street

[15] The United States, in signing the conventions adopted at the Sixth International Conference of American States held at Habana January 16–February 20, 1928, took exception to the convention on asylum, placing itself on record as not recognizing or subscribing to, as part of international law, the so-called doctrine of asylum. At the Seventh International Conference of American States held at Montevideo, December 3–26, 1933, the United States again refrained from signing a convention on asylum. See Green H. Hackworth, *Digest of International Law* (Washington, Government Printing Office, 1941) vol. II, pp. 646–649.

in front of the Embassy and that with my permission they proposed to seize it. They also inquired as to the whereabouts of the crew of the tank, which they understood had taken shelter in the building. I replied that with respect to the tank, which was in a public highway, I had nothing to say but that with respect to the officers I would not surrender them despite the fact that I could not grant them asylum. I stated that I would report their presence to General Martínez, unless they should elect, as they were at liberty to do, to leave the Embassy before I had done so. The officer with whom I spoke accepted my refusal graciously but added that if Colonel Calvo and his companion should attempt to leave the Embassy they would be dealt with at once. Shortly thereafter another and larger Government force appeared at the Embassy formally requesting the delivery of Colonel Calvo and his companion, with the same result. Colonel Calvo's tank was examined by members of my staff and found to contain a large stock of shells for its cannon as well as ammunition for its machine guns. Colonel Calvo could have dominated any area through which he might have wished to pass—but he had obviously succumbed to panic. He said, in fact, that he had been leading a procession of trucks filled with reinforcements into the city and upon finding that they had deserted him, and that (for unexplained reasons) he could not reenter the Barracks from which he had departed to get the recruits, he had decided to quit.

At approximately 9 o'clock I accompanied the Diplomatic Corps under escort, to the Police Barracks where we were received by General Martínez. At this interview I informed General Martínez of the situation with respect to Colonel Calvo and the other Salvadorans who were present in my Embassy and after failing to receive assurances that they would if surrendered be treated with clemency I said I would relinquish them under an assurance that they would be given the benefits of the processes of the laws of El Salvador. This assurance was given. Upon my return to the Embassy I found that Sr. Castellanos Rivas had elected to leave (which he evidently had succeeded in doing surreptitiously and successfully) and that while Colonel Calvo and his companion had during the nearly six hours they had spent in the premises given frequent consideration to flight, they had been unable to muster sufficient courage to undertake the venture—being aware of the fact that the entire block was surrounded and heavily guarded. I should add that I had on several occasions clearly explained to Colonel Calvo and his associates the attitude taken by myself and the Diplomatic Corps and that they were at liberty to attempt to flee but if they remained I would be under compulsion to notify the Government of their presence and to relinquish them. Accordingly at about 10:30 on the appearance of a fresh detachment of Government forces bringing a written comumni-

cation with regard to the persons concerned, I relinquished Colonel Calvo, his companion Lt. Mancía, and the young companion of Castellanos Rivas, Sr. Gavidia—the man who had brought the telegram.

Respectfully yours, WALTER THURSTON

816.00/1236 : Telegram

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

WASHINGTON, April 6, 1944—6 p. m.

94. The question raised by you in your no. 106 of April 4, 3 p. m.[16] is obviously an internal matter in which the Department would not ordinarily authorize you to intercede. However, the fact that you turned three of the revolutionary leaders over to the Government in accordance with this Government's established policy of not granting asylum, will inevitably be borne in mind by public opinion in the United States and in other American Republics in connection with the eventual fate of these men. Furthermore, the manner in which the captured revolutionists are treated in general will undoubtedly have an effect on public opinion in the United States. Severe or inhuman reprisals would seriously injure the standing of the Salvadoran Government with our press and public opinion.

You are authorized to bring these considerations discreetly to the attention of the Salvadoran Government without, of course, making any official representations or acting in any other way except in your capacity as a friend of the authorities.

HULL

816.00/1246 : Telegram

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

SAN SALVADOR, April 11, 1944—6 p. m.
[Received April 10 (*11?*)—10:10 p. m.]

111. The Minister for Foreign Affairs[17] called at the Embassy this afternoon during a meeting of the Diplomatic Corps, to inform me that after due trial by court with adequate legal defense, 10 officers (including Calvo) had been executed this morning. Death sentences have been pronounced upon 9 officers and 6 civilians still at large.

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[16] Not printed; this telegram touched on the Calvo incident and raised the question of how the Embassy should act if it were asked to interpose on humanitarian grounds to reduce retaliatory and punitive action by the Martínez regime (816.00/1236).

[17] Arturo Ramón Avila.

The courts are still in session and further executions probably will follow. No civilians have been executed thus far but it is probable that some will be.

Speaking for the Diplomatic Corps, I again urged a policy of clemency.

THURSTON

816.00/1283 : Airgram

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

GUATEMALA, April 28, 1944—6:30 p. m.
[Received May 1—1 p. m.]

A–210. The Embassy has received several versions of the circumstances surrounding the delivery of Colonel Tito Tomás Calvo to Salvadoran authorities which seem to be giving rise to serious criticism of our general policy toward Central American political affairs. While the true facts as reported in despatch no. 1448 of April 5th from El Salvador are not generally known, they are being distorted into a telling weapon against us. I fear that even many of our supporters among adherents to democratic principles, see in this an indication of a disposition on our part to perpetuate what is regarded as a totalitarian régime. While I have endeavored discreetly to make known the true facts, wherever opportunity presented, my efforts can only be of limited effect. I am therefore taking the liberty of suggesting to the Department that it consider the possibility of issuing a statement designed primarily for public circulation in Central America, clarifying its policy toward the granting of asylum to political refugees, while pointing out that we are not parties to the Habana Convention on Asylum and releasing any facts which would clarify Mr. Thurston's procedure or suggest what would happen should similar situations recur.

I, of course, offer this suggestion without wishing in any way to comment on the incident or to express an opinion on the desirability of such a statement from the point of view of our Embassy in Salvador. I do believe, however, that it would be of definite value in Guatemala, particularly in view of the presence here of a number of Salvadoran political refugees.

A copy of this communication has been sent by courier to Mr. Thurston to enable him to communicate to the Department such observations and recommendations as he may care to make.

LONG

816.00/1284 : Telegram

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

SAN SALVADOR, April 30, 1944—noon.
[Received 8:33 p. m.]

128. I have the following observations to make regarding Ambassador Long's airgram 210, April 28:

1. My action with respect to Colonel Calvo was based upon the established and proclaimed policy of the United States Government toward asylum and the categoric instructions on the subject contained in the Foreign Service Regulations. In as much as Ambassador Long obviously questions the validity of the policy and the Regulations as well as the propriety of my action an expression of the Department's opinion is respectfully requested.

2. I am opposed to Mr. Long's suggestion that a statement be issued by the Department "clarifying its policy" toward asylum, my procedure, and hypothetical situations, for the following reasons:

a. There has been no discussion of any of these subjects in the Salvadoran press, now entirely government controlled, and in view of the conditions that prevail in Guatemala I doubt that there has been any published discussion there. Under these circumstances, or otherwise, a public statement by the Department would be exposed to mixed and partisan distortion.

b. In so far as El Salvador is concerned, the initial reaction of the Calvo case has been largely overcome and the opposition element is beginning to understand and accept this Embassy's position. This change has effected personal conversations based on the facts—and I believe a similar procedure in Guatemala would be effective and proper.

3. Ambassador Long appears to link the Calvo incident with "serious criticism of our general policy toward Central American political affairs". There is no doubt that misunderstanding and criticism followed the application to Colonel Calvo of our policy regarding asylum, but as stated above this reaction can be overcome by a sincere explanation of the facts. Our long established abstract policy toward asylum has no bearing on current Central American political affairs, and any honest and intelligent Central American will so admit.

As to our general policy toward Central American political affairs (and confining my remarks to El Salvador, although I have no doubt they apply equally to the other dictator-ridden Republics) it is, of course, known to the Department that unfavorable criticism has prevailed for the past year—if not for much longer—among the opposition elements. This criticism is the result of a general inability to reconcile our persistent propaganda for the Four Freedoms,[18] the

[18] Set forth in President Roosevelt's State of the Union Message, January 6, 1941, *Congressional Record*, vol. 87, pt. 1, pp. 44–47.

Atlantic Charter,[19] democracy, liberty and the other rights of man, with our policy of non-intervention and seeming indifference to cynical abolition of those rights by a petty Central American dictator. Bewilderment and criticism increased with our acceptance of the local regime as honored associate and the furnishing to it of seemingly omnipotent military equipment, and reached a higher pitch when it was observed that Washington and this Embassy remained inactive and aloof during and after the recent uprising.

Repeat to Guatemala.

THURSTON

816.00/1305 : Telegram

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

SAN SALVADOR, May 6, 1944—6 a. m.
[Received May 7—2 : 49 a. m.]

139. The situation in El Salvador appears to be approximately as follows:

1. The civil movement against General Martínez insofar as this city is concerned has attained the proportion of a general strike. It was initiated by the students of the National University and now embraces all schools; all business establishments and shops including pharmacies; all professional classes including doctors, lawyers, engineers, dentists, and nurses; all banks; the mayor's office, and several other bureaus; the British owned Salvador railway (the American owned International Railways has not yet been involved); and the office workers of the light and power company.

2. There have been renewed reports of disaffection in the Armed Force; there is authoritative information regarding serious discontent within the Cabinet; and there is reliable but not proved information indicating that the Archbishop[20] supports the movement.

3. The testimony of all observers including many Americans and other foreigners indicates that the movement enjoys widespread and determined support. It is a common assertion that the great majority of the inhabitants of the country are opposed to Martínez and support or approve the current effort to depose him. It is not known of course whether the movement can long withstand the financial burden involved or maintain the discipline essential to success.

4. President Martínez' radio address last night following the recommendation of the majority of his Cabinet that he resign is construed to indicate that he has no intention of relinquishing power and will resist all efforts to dislodge him. There has been no violence and

[19] Joint statement by President Roosevelt and British Prime Minister Winston S. Churchill, August 14, 1941, *Foreign Relations*, 1941, vol. I, p. 367.
[20] Msgr. Luis Chávez y González.

no disorder thus far on the part of the opposition and no arrests or other repressive action on the part of the Government.

There is, however, danger of a spontaneous clash or of disorders deliberately fomented by the authorities which would enable them to initiate strong policies.

A committee of four members representing the various organizations engaged in the movement of passive resistance has been formed and called on me this afternoon to deliver a copy of a manifesto containing their program. This calls for continuation of passive resistance until Martínez abandons power and "the achievement and maintenance of the cooperation of the diplomatic representatives accredited to the country in order to solve our conflicts in harmony with Pan-American ideals and interests and with the principles proclaimed in the Atlantic Charter". It also states that upon relinquishing the Presidency, Martínez together with his family and Partisans would be given guarantees with respect to their persons and properties and that they would be subjected to no reprisal or political persecution although it would recommend that Martínez absent himself from the country.

Despite insistent pressure I have not called a meeting of the Diplomatic Corps and of course I have taken no independent action. I fear, however, that events will soon make it impossible for me to escape action as Dean of the Diplomatic Corps or, more important, as the agent of American policy.

THURSTON

816.00/1303 : Telegram

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

WASHINGTON, May 6, 1944—9 p. m.

126. The Department authorizes you with respect to the question raised in your 137 of May 5, 11 p. m.[21] strictly informally to indicate in your discretion the Department's policy as follows:

In 1933 the United States solemnly pledged itself to a policy of non-intervention in the internal political affairs of the other American Republics.[22] It has reiterated that pledge on many subsequent occa-

[21] Not printed; in it Ambassador Thurston stated that he would appreciate any suggestions from the Department on procedure for countering pressure on the Embassy to intervene in the political situation. The Ambassador added that this pressure was accompanied by the suggestion that if the Embassy and the Government of the United States again stood by impassively while a popular and democratic movement was under way, the prestige of the United States would be irreparably damaged. (816.00/1303)

[22] Reference here is presumably to the statement by President Roosevelt December 28, 1933, in an address before the Woodrow Wilson Foundation. Referring to President Wilson's statement at Mobile, Alabama, on October 27, 1913, he said: "It therefore has seemed clear to me as President that the time has come to supplement and implement the declaration of President Wilson by the further

sions. This policy was adopted after long and careful consideration to allay the complaints which had frequently been voiced in the other American Republics to policies theretofore pursued by the United States. In committing itself formally to this policy the United States made no reservation as to the type of crisis which might arise or as to the issues which might be involved.

The United States has sincerely endeavored to fulfil the obligations which it thereby assumed. The fact that it has not voiced disapproval of domestic political developments in various of the other Republics does not necessarily mean that it approves all of those developments. It merely means that the United States feels itself bound not to express either approval or disapproval.

HULL

816.01/442a : Telegram

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

WASHINGTON, May 9, 1944—7 p. m.

132. The following circular telegram to all of the Embassies in the other American republics is repeated for your confidential information:

"The Embassy in San Salvador reports that President Martínez has resigned and that the Presidency has been assumed by General Andrés Menéndez, First Designate.

In view of the fact that the new Government does not appear to have been instituted by force or under the influence of totalitarian elements, the Department does not consider that there is any call for resort to the procedure of consultation with the other American republics as recommended by the Committee on Political Defense in Resolution no. 22. The Department therefore proposes to continue relations with the Salvadoran Government and to make this clear in some way within the next few days.

You are requested to bring the Department's views urgently to the attention of the Foreign Minister of the country to which you are accredited. The Department would appreciate an expression of his views at the earliest opportunity." [23]

HULL

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declaration that the definite policy of the United States from now on is one opposed to armed intervention.

"The maintenance of constitutional government in other nations is not a sacred obligation devolving upon the United States alone. The maintenance of law and the orderly processes of government in this hemisphere is the concern of each individual nation within its own borders first of all. It is only if and when the failure of orderly processes affects the other nations of the continent that it becomes their concern; and the point to stress is that in such an event it becomes the joint concern of a whole continent in which we are all neighbors." Department of State, *Press Releases*, December 28, 1933, p. 381. For President Wilson's statement, see S. Doc. 440, 63rd Cong., 2nd sess., p. 7.

[23] Replies to this circular telegram indicated general agreement with the Department's views regarding recognition.

816.00/1283

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

No. 514 WASHINGTON, May 9, 1944.

SIR: Reference is made to your airgram no. A–210 of April 28, 6:30 p. m., with regard to the action of the American Ambassador in El Salvador in surrendering Colonel Tito Calvo, who had sought asylum in the American Embassy, to the Salvadoran authorities. After careful consideration of your airgram under reference, and of Ambassador Thurston's telegram no. 128 of April 30, noon, which was repeated to you, the Department sent an instruction to San Salvador[25] reading as follows:

"Reference is made to your telegram no. 128 of April 30, noon, requesting an expression of the Department's opinion with regard to your action in refusing asylum to Colonel Tito Calvo and in surrendering him to the Salvadoran authorities on April 3, 1944. Your action was wholly in accord with the Department's well-established policy, as set forth in the Foreign Service Regulations.

"The Department realizes that its policy of non-recognition of the doctrine of political asylum may subject it to criticism, especially in its application to individual cases. It is none the less a policy of long standing, based on the Department's desire to avoid involvement in local political affairs, and the Department does not contemplate any change in it.

"The Department agrees with you that it would be inadvisable to issue any public statement regarding this policy at the present time. The Department's position in this regard has been made amply clear in the past, at Inter-American conferences and elsewhere; and it would not seem that any useful purpose would be served by a reiteration thereof. Furthermore, any such statement issued at the present time would be subject to partial publication, to distortion and to misrepresentation. The Department feels that members of its diplomatic missions abroad should be able to explain it satisfactorily in any private conversations which might take place.

"In order that they may be adequately informed, however, the Department is forwarding, to its missions in those of the American Republics which maintain resident diplomatic missions in El Salvador, copies of your despatch no. 1448 of April 5, 1944, together with pertinent excerpts from a memorandum of conversation with Mr. Joint, British Chargé d'Affaires in El Salvador, furnishing additional details of the developments on April 3, 1944.[26] A copy will of course be sent to you for your information."

Very truly yours, For the Secretary of State:
EDWARD R. STETTINIUS, JR.

[25] Instruction 562, dated May 9.

[26] Memorandum not printed; the conversation was held in Washington April 10, between E. J. Joint, Robert H. Hadow, British Counselor of Embassy in Washington, John M. Cabot, Assistant Chief of the Division of Caribbean and Central American Affairs, and William P. Cochran, Jr., of the same Division.

816.00/1329 : Telegram

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

SAN SALVADOR, May 11, 1944—9 a.m.
[Received 12:43 p. m.]

159. It is probable that upon official announcement that General Martínez has left the country the general strike will be immediately discontinued and that this will be followed by the resumption of normal and orderly life throughout the republic.

I would accordingly recommend that when I have reported the receipt of official advice of the constitution of the Menéndez provisional government I be instructed to establish full relations with it.

THURSTON

816.002/183 : Telegram

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

SAN SALVADOR, May 12, 1944.
[Received May 12—3:55 p. m.]

164. At 12 o'clock this noon, I received the following communication from the Ministry of Foreign Affairs dated May 11.

"National Palace, San Salvador, May 11, 1944.

Mr. Ambassador: I have the honor to advise Your Excellency that by virtue of the resignation of the Post of Constitutional President submitted by General Maximiliano Hernández Martínez, which was accepted by the National Legislative Assembly, General Andrés Ignacio Menéndez was elected in conformity with the political constitution to exercise that high office and he assumed the supreme command of the Republic on the 9th of this month; and this mandatory upon organizing yesterday his Cabinet has been so good as to distinguish me by the appointment as Minister of Foreign Affairs and Justice, a delicate post which it has been satisfactory for me to accept animated with the best sentiments in behalf of the international life of El Salvador.

Upon communicating the foregoing to Your Excellency it is very gratifying to me to state that in the fulfillment of my functions it will be my constant desire to continue to cultivate the good relations which happily exist between the Government of El Salvador and the Government which Your Excellency worthily represents.

I avail myself of the opportunity to present to Your Excellency the assurances of my very high and distinguished consideration.

Signed Julio Enrique Avila."

THURSTON

816.01/456 : Telegram

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

WASHINGTON, May 13, 1944—8 p. m.

264. Please inform the Foreign Minister [27] in strict confidence, with reference to the comments which he made to you as reported in your telegram no. 439 of May 11 [28] of the Department's views regarding recognition of the new Salvadoran administration, as follows:

The revolution of April 2 was indeed forcibly suppressed and severe reprisals were taken by General Martínez against the revolutionaries. However, General Martínez resigned the presidency not because of a further revolutionary outbreak but because of a general strike which largely paralyzed the country. According to the Department's information the strike showed great unanimity on the part of the populace; the President's chief supporters, including the Cabinet, advised him to resign; there is no evidence whatsoever of Axis intrigue; and in as much as the first designate has succeeded to the presidency, it would seem that legal forms had been followed. With the departure of General Martínez from El Salvador and the lifting of the general strike, conditions would appear to be gradually returning to normal.

The Department therefore considers that there are fundamental differences between recognition in the case of El Salvador and in the cases of Argentina and Bolivia.[29]

HULL

816.00/1411a : Telegram

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

WASHINGTON, May 13, 1944—9 p. m.

141. You are authorized to acknowledge receipt on May 16 in appropriate terms of the note transcribed in your telegram no. 164 of May 12, thereby showing the purpose of this Government to continue normal diplomatic relations with the incoming Salvadoran administration. A circular telegram is being addressed to the missions in

[27] Juan José Serrato.

[28] Not printed; it reported that Foreign Minister Serrato was awaiting further information from the Uruguayan Ambassador in Mexico, Mateo Marques Castro, and was hesitant to accord too prompt recognition of the new Salvadoran Government in view of newspaper reports of extensive bloodshed in El Salvador and the delay in recognizing the Bolivian and Argentine regimes (816.01/456). For correspondence on problems of recognizing the Bolivian and Argentine regimes, see pp. 427 ff., and pp. 288 ff., respectively.

[29] The Ambassador in Uruguay answered this instruction on May 14, 6 p. m., in telegram 442 (816.01/463), in which he stated that Uruguay agreed that recognition of El Salvador was in order but would extend recognition tardily for the reasons indicated in telegram 439.

the other American Republics [30] informing them of this and instructing them to inform the governments to which they are accredited of this Government's intention.

HULL

816.00/7–544 : Telegram

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

SAN SALVADOR, July 5, 1944—11 a. m.
[Received 3 : 09 p. m.]

234. The executive, legislative and judicial powers, high army officers and the political parties at a meeting yesterday agreed that election for President, Vice President and a Legislative and Constituent Assembly shall be held on January 14, 15 and 16 next. The National Assembly shall convene as a Legislature on February 15 to announce result of Presidential and Vice Presidential elections. President shall take office on March 1 and on that date, the National Assembly will convene as a Constituent Assembly. The Constitution of 1886 shall be in full force until a new Constitution is adopted.

Tension has again decreased.

GADE

816.00/10–2144 : Telegram

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

SAN SALVADOR, October 21, 1944—8 a. m.
[Received October 21—5 : 33 p. m.]

334. Following a meeting of Romeristas [31] rifle and revolver shooting took place from 10 to 11 : 30 last night between the military, national guard and police authorities on one side and civilians on the other. Official reports are that there are one dead and six wounded. Actually there are at least four dead and numerous wounded. Many prominent citizens arrested. Legislative Assembly met this morning at Zapote Fort and declared a state of siege. It is reliably reported that President Menéndez has resigned and that Colonel Osmín Aguirre, the Chief of Police, has become President.

Repeated to all Central American Missions.

GADE

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[30] Addressed on May 13 to diplomatic representatives in all the American Republics except Bolivia, Argentina, and El Salvador; not printed.

[31] Those who supported Arturo Romero, the candidate of the Partido Unión Demócrata for the Presidency of El Salvador.

123 Gade, Gerhard : Telegram

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

SAN SALVADOR, October 21, 1944—10 a. m.
[Received 3 : 03 p. m.]

335. My telegram No. 334, October 21, 8 a. m. The Chief of Protocol telephoned me at 9 : 30 this morning and "in the name of the Provisional President Colonel Osmín Aguirre" invited me to the Presidential Palace at 11 a. m. this morning. I declined to attend stating I could take no action which would imply recognition without orders from my Government.

GADE

816.00/10–2144 : Telegram

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

[Extracts]

SAN SALVADOR, October 21, 1944—5 p. m.
[Received October 22—3 a. m.]

336. My telegram No. 335, October 21, 10 a. m. The whole Diplomatic Corps decided not to go to the Presidential Palace. After a meeting at 11 o'clock this morning, the Corps called at a private house on Doctor Avila who declared that he was ill, that he had heard on the radio that there had been a change of government and that he had not resigned but had "withdrawn" from the Foreign Office. In reply to a blunt inquiry he declared that he did not know whether or not General Menéndez, who was in Zapote Fort, is a prisoner.

At 12 : 30 p. m. the announcer of the Government controlled radio stated that the program was being broadcast from the Presidential Palace, that the Provisional President was about to speak and that there was a distinguished gathering including members of the Assembly, Diplomatic Corps etc. (there were no diplomats present). Colonel Aguirre then went on the air and declared that Menéndez had resigned on account of ill health (the Papal Chargé d'Affaires [32] called upon him at his house this afternoon and found him looking very fit) and that he, Aguirre, had assumed the Presidency. He called upon all true sons of El Salvador to support the new government, and added that he would [form?] his Cabinet from members of all political parties. He promised, upon his word as a gentleman and soldier, freedom of suffrage and of political parties. . . .

. . . . . .

From personal observation of members of the staff and from other reliable informants, the *coup d'état* appears to have been carefully

[32] Msgr. Paolo Bertoli.

planned in advance by a military clique including Colonel Aguirre.
Repeated to all Central American Missions.

GADE

816.00/10–2344 : Telegram

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

SAN SALVADOR, October 23, 1944—4 p. m.
[Received 7 : 45 p. m.]

342. I have today received a note from the new Foreign Minister Reyes Arrieta Rossi announcing the resignation of General Menéndez as President and the assumption of office by Colonel Aguirre. No reply is being made pending instructions from the Department.

GADE

814.01/10–2444 : Circular telegram

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

WASHINGTON, October 24, 1944—5 p. m.

The Provisional Government of Guatemala has been replaced by a revolutionary junta.[33] The Provisional President of El Salvador has also been ousted and replaced by Colonel Osmín Aguirre, former Chief of Police.

It is the Department's belief that in light of circumstances surrounding these two overturns, the consultative procedure envisaged by Resolution 22 of the Emergency Committee on Political Defense at Montevideo is applicable and recognition will not be extended to either Government until an exchange of information has taken place between this Government and that of the other American Republics.[34]

You are requested to inform the Foreign Minister of the country to which you are accredited of the foregoing points. You should say that this Government will greatly appreciate any information which the Foreign Minister may be in a position to transmit to you in the name of his Government and also any views which he may wish to express regarding the advisability of recognizing the new régimes in Guatemala and El Salvador. You should add that this Government will be pleased to communicate to his Government all information

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[33] For correspondence concerning the revolution and problems of recognition in Guatemala, see pp. 1132 ff.

[34] In telegram 617 to Montevideo, October 24, 8 p. m., the Department authorized William Sanders, the United States member of the Emergency Advisory Committee for Political Defense, to inform the Committee of the position stated by the Department in this circular telegram of October 24 (814.01/10–2444).

which may be available to it as soon as it has been possible to collect such information.

STETTINIUS

816.00/10–2644 : Telegram

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

SAN SALVADOR, October 26, 1944—11 a. m.
[Received 6 : 29 p. m.]

349. Embassy's telegram 345, 25th.[35] The Embassy has unofficially received a copy of the unanimous opinion of the Supreme Court to the effect that the Aguirre government is illegal. Original will be presented to National Assembly today.

Court holds that according to constitution of 1886, resigning president must be succeeded by the first designate, that it is clearly stated in the constitution that the ranking of designates is determined by their dates of appointment and that hence Colonel Aguirre as last appointed is third designate, Miguel Tomás Molina as first appointed is first designate and Sarbelio Navarrete second.

Molina has confidentially told an officer of this Embassy that with the support of the Supreme Court and based on this opinion, he intends to declare himself provisional constitutional president today or tomorrow. He has the backing of the Liberal elements. Text of opinion by airmail.[36]

GADE

816.01/10–2744 : Telegram

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

WASHINGTON, October 27, 1944—6 p. m.

285. Recognition of the new Administration in El Salvador will depend in part on its willingness and ability to fulfill its international commitments, including that to the other American Republics not to recognize unilaterally the present Government of Argentina. You may wish to convey the foregoing informally to the present Salvadoran régime through such channels as are available to you.

STETTINIUS

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[35] Not printed.

[36] Copy of Spanish text and hastily prepared translation transmitted in despatch 2103, October 26; revised translation transmitted in despatch 2106, October 26; none printed.

816.01/10–2644 : Telegram

The Acting Secretary of State to the Ambassador in Nicaragua (Stewart) [37]

WASHINGTON, October 30, 1944—8 p. m.

436. Reference your 626, October 26, noon [*4 a. m.*].[38] You are requested, carefully choosing a suitable opportunity, orally to inquire of the Foreign Minister [39] why his Government, in view of the provisions of Resolution 22 of the Committee of [*for*] Political Defense at Montevideo, has recognized the new Salvadoran regime without consulting the other American republics. You should make it clear that this Government and other American governments are now exchanging information regarding the question of recognizing the new Salvadoran regime. This Government attaches the highest importance to the principle of inter-American solidarity and feels that the American republics should act in concert in such matters of common concern.

STETTINIUS

816.01/10–3144 : Telegram

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

TEGUCIGALPA, October 31, 1944—4 p. m.
[Received 11 : 27 p. m.]

327. Reference Department's 265, October 30, 9 p. m.[40] It became appropriate to clarify Salvador recognition in connection with general discussion with Foreign Minister [41] today. The reason for precipitate action here was fact Honduran Government and present Salvadoran Government have a community of interest growing out of developments in Guatemala. Foreign Minister regards present Salvadoran regime as protection to Honduran border [42] especially since it is expelling enemies of the Carías [43] government who have been plotting in San Salvador.

The Honduran Government considers that the new Salvadoran regime acquired power through constitutional means.

ERWIN

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[37] Sent also to Honduras as telegram 265, October 30, 9 p. m.

[38] Not printed; it informed the Department that Nicaragua recognized the Aguirre regime on October 24 because it considered that the Government came to power through constitutional means (816.01/10–2644).

[39] Mariano Argüello Vargas.

[40] See footnote 37, above.

[41] Silverio Laínez.

[42] For correspondence on the border dispute between Honduras and Nicaragua, see pp. 213 ff.

[43] Tiburcio Carías Andino, President of Honduras.

814.01/10–3144 : Circular telegram

The Acting Secretary of State to the Diplomatic Representatives in the American Republics Except Argentina, Guatemala, and El Salvador [44]

WASHINGTON, October 31, 1944—9 p. m.

You are requested to convey the following comments to the Foreign Minister of the country to which you are accredited. You should also express appropriate appreciation for any comments which he may have made to you regarding the question of recognizing the new régimes in Guatemala and El Salvador.

[Here follow three paragraphs concerning the recognition of the new regime in Guatemala, printed on pages 1147–1148.]

With regard to El Salvador, the Department's information is that the situation is still obscure. A general strike, the importance of which it is impossible at the present moment to gauge, is reported to be in progress. The Supreme Court is reported to have declared the accession to power of the present régime to be illegal. Not wishing in any way to pre-judge the issue, it is this Government's belief that the question of recognizing the *de facto* régime in El Salvador should be held in suspense until the trend of events may be more clearly discerned. In the meantime, this Government would be pleased to receive any further information regarding the situation in El Salvador which the Government to which you are accredited may be good enough to give you, and will transmit to you for communication to it such further information as it may independently receive. In conveying the above information to the Foreign Minister, you should be careful not to convey the impression that this Government contemplates a prolonged period of non-recognition with respect to the régime now in power in El Salvador.

The Embassies in Nicaragua and Honduras need take no action under the preceding paragraph in view of the recognition of the new Salvadoran régime by those two Governments.

STETTINIUS

816.01/11–144 : Telegram

The Ambassador in Nicaragua (Stewart) to the Secretary of State

MANAGUA, November 1, 1944—4 p. m.
[Received 11 : 12 p. m.]

638. Referring to my telegram No. 637 dated October 31, 6 p. m.[45] An aide to President Somoza informed me this morning that the President recognizes that his recognition of the new government in

[44] The instruction to the Ambassador in Uruguay requested that the contents be made known to William Sanders of the Emergency Advisory Committee for Political Defense.

[45] Not printed.

El Salvador was premature and a mistake. He confirmed that the action was taken following the receipt of an urgent request from the Nicaraguan Minister in El Salvador.[46] In part, however, it was due to the President's absence on Lake Nicaragua off Granada and to misunderstanding of messages transmitted to him by Dr. Argüello the Foreign Minister who is now blamed for the affair. The aide said that President Somoza would accept any suggestions we might make to him in the premises and if we so desired would find some way to negate the recognition.

Repeated to El Salvador.

STEWART

814.01/11–444 : Circular telegram

The Acting Secretary of State to the Diplomatic Representatives in the American Republics Except Argentina, Guatemala, and El Salvador [47]

[Extract]

WASHINGTON, November 4, 1944—7 p. m.

. . . . . .

The situation in El Salvador continues obscure. The former first designate [48] has proceeded to the western part of the country and has proclaimed himself Constitutional President, basing his claim upon the Supreme Court's decision holding the present régime unconstitutional. The general strike has subsided somewhat and now affects only the banks. The situation is outwardly calm but very tense, with persistent rumors of an attempt forcibly to overthrow Provisional President Aguirre. In consequence, and since all the replies received from the other American Governments have indicated concurrence, it is not proposed to recognize the present régime in El Salvador until the situation clarifies itself.

STETTINIUS

816.00/10–2644

Memorandum by the Assistant Chief of the Division of Caribbean and Central American Affairs (Cochran) to the Chief of the Division (Cabot)

[WASHINGTON,] November 9, 1944.

Mr. CABOT: I think you will be interested in Mr. Simmons first extensive report [49] on the political situation in El Salvador and especially his numbered comments beginning on page 3.

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[46] Juan Marcos López Miranda.

[47] The instruction to the Ambassador in Uruguay requested that the contents be made known to William Sanders.

[48] Miguel Tomás Molina.

[49] Memorandum prepared October 26 by the Ambassador Designate to El Salvador, John F. Simmons, transmitted to the Department in despatch 2107, October 26, 1944, from San Salvador; neither printed.

At the end of item 7, he suggests that drastic action on our part might be effective in causing the downfall of the Aguirre régime. By this, he apparently means refusing to purchase Salvadoran coffee, stopping airplane and steamship service, etc. Obviously no such action is contemplated.

I invite your particular attention to item 8 on page 5.[51] However much in sympathy we may be with this ideology I do not believe that we can require democratic processes as a condition to recognition and think we should follow the plan which we have discussed—namely, to wait ten days or so, then, if the Aguirre régime has consolidated itself in power, I think we shall have to extend recognition.

816.00/11–1044 : Telegram

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

GUATEMALA, November 10, 1944—6 p. m.
[Received 10 : 37 p. m.]

776. This government is faced with new problem[s] and would greatly appreciate the Department's views regarding them. Salvadoran Government in exile [52] has headquartered in Guatemala City. Revolutionary Junta does not feel kindly toward Government of Osmín Aguirre in El Salvador but it has strictly refrained from any act against [it?] and has followed course outlined in my 767, November 4 [5], 4 p. m.[53] up to now.

Guatemala has received visit from Salvadoran Minister of Public instruction [54] who has been able to see with his own eyes that Guatemala is making no belligerent preparations and that its frontier is quiet and without military activity. The opposite is true in El Salvador as reported by recent emissary from there who went there to arrange for safe conduct of Salvadoran refugees having asylum in Guatemalan Legation. He saw considerable movement of arms and soldiers towards frontier.

Some pressure is beginning to be felt here for Guatemalan recognition of Salvadoran Government in exile. Any views of Department will be gratefully received.

LONG

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[51] Of special note in item 8 is the following: "I believe that we should take very careful thought before giving encouragement to a forcible and apparently illegal assertion and assumption of power such as has taken place in El Salvador." (816.00/10–2644)

[52] Government proclaimed by Miguel Tomás Molina.

[53] Not printed.

[54] Adolfo Pérez Menéndez.

816.00/11–1044 : Telegram

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

WASHINGTON, November 17, 1944—1 p. m.

680. Reference your 776, November 10, 6 p. m. The Department has not as yet reached any decision regarding the question of recognizing the present Salvadoran regime. While the decision with regard to the course which Guatemala should pursue regarding the recognition of the regime now controlling El Salvador and the regime in exile in Guatemala is obviously one within Guatemala's sole competence, the Department believes that you may appropriately bring the following considerations to the Foreign Minister's [55] attention:

(1) The question whether recognition is to be extended to any Salvadoran regime is now under consideration by the American republics in consultation. It would seem undesirable that an American republic should act other than in concert in an important matter of general interest.

(2) The Salvadoran regime in exile does not appear to have the attributes commonly recognized by international law as prerequisites for recognition. Under these circumstances such recognition might give grounds for allegation that Guatemala is interfering in Salvadoran internal politics.

The Department believes it preferable to await the moment when some regime meeting the requisites of international law for recognition is established in El Salvador before reaching any decision in this regard.

STETTINIUS

814.01/11–1844 : Circular telegram

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

WASHINGTON, November 18, 1944—midnight.

Reference Deptel circular November 4, 7 p. m. You are requested in strict confidence to inform the Foreign Minister of the Government to which you are accredited that from the information available to the Department, the situation in El Salvador still appears obscure.

Department's information indicates general strike has subsided but Mortgage Bank, a center of political controversy, has not yet reopened. The mass of public opinion appears opposed to present government, and newspapers are critical. Thus, while Aguirre régime appears to hold control of machinery of Government there

[55] Enrique Muñoz Meany.

is open popular resistance and the stability of the régime appears to be by no means assured.

While there is no evidence to establish that the overthrow of Menéndez was inspired by the Axis as such, Aguirre himself and several of his Cabinet are considered in El Salvador to have totalitarian sympathies. Menéndez has recently issued a statement declaring he was made to resign by force rather than because of ill health as was alleged.

Although Aguirre régime has indicated its intention to co-operate in the war effort, it has not as yet agreed fully to assume all of its international obligations.

Molina has established a self-styled government in exile in Guatemala and is seeking recognition. He has recently been joined there by Arturo Romero, leading civilian presidential candidate.

In their replies to the Department's previous telegrams concerning recognition, the American Republics while agreeing (except for Honduras and Nicaragua which have already recognized the Aguirre régime) that action should be withheld for the moment, are not in full accord as to the basis on which it should be extended. Some countries hold that recognition should not be granted to other than a democratic régime, although this attitude would perhaps imply a departure from hemisphere undertakings regarding non-intervention and a broadening of the scope of the consultations envisaged by Resolution 22 of the Montevideo Committee. Other countries have been more disposed to follow the principle of the Estrada doctrine.[56]

Please convey the above comments to the Foreign Minister and request an expression of his views, as the Government of the United States is desirous of determining its attitude in full consultation and in solidarity with the other nations of the hemisphere.

Montevideo please inform Sanders. The foregoing telegram has been sent to all the American Republics except Argentina, El Salvador, Honduras, and Nicaragua (the latter two having already extended recognition). Repeated to Buenos Aires, San Salvador, Tegucigalpa, and Managua for information. Tegucigalpa and Managua may at their discretion convey the substance of the above to their Foreign Ministers for information.

STETTINIUS

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[56] Doctrine concerning governmental recognition set forth by Mexican Minister for Foreign Affairs Genaro Estrada, in 1930; see *American Journal of International Law*, vol. xxv (1931), pp. 719–723. See also Instituto Americano de Derecho y Legislación Comparada, *La Doctrina Estrada* (Mexico, 1930).

816.01/12–544 : Circular telegram

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

WASHINGTON, December 5, 1944—midnight.

The Panamanian Foreign Minister [57] has informed our Embassy in Panama that his Government suggests that any action in respect to recognition of the present Salvadoran régime be postponed by the Governments of the American republics until after the Presidential elections in El Salvador, which are scheduled for the middle of January. In a telegram to the Department [58] the Salvadoran Foreign Minister has given assurances that these elections will be held.

Unless you perceive objection, you are requested, (except as noted below) to discuss the Panamanian suggestion with the Foreign Minister and to obtain his views regarding it. For your confidential information, the Panamanian suggestion would appear to be beyond the scope of the consultations envisaged by Resolution 22 of the Committee of Political Defense.

The above is repeated for information only to the Embassies in San Salvador, Tegucigalpa, Managua and Buenos Aires.

STETTINIUS

816.01/12–644 : Telegram

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

SAN JOSÉ, December 6, 1944—5 p. m.
[Received 10 : 00 p. m.]

652. Reference Department's circular December 5, midnight. Views of Costa Rican Foreign Minister [59] are that present Salvadoran Government should certainly not be recognized because American missions [*nations?*] are fighting for democracy and he moreover doubts whether any elections held under direction of present government could be called democratic elections. He feels that if it were definitely known that the American nations are not recognizing present regime it would soon collapse and Molina regime would be able to assume power. Sr. Acosta states, however, that if other American Governments do not wish to go so far as does the Costa Rican Government (whose suggestions are admittedly beyond scope of consultations envisaged by Resolution XXII of Committee of Political Defense) will take action in concert with others and certainly agrees with suggestion of Pan American [*Panamanian*] Government that no recognition be extended to present Salvadoran regime at least until after elections in January.

[57] Samuel Lewis, Jr.
[58] Not found in Department files.
[59] Julio Acosta García.

Don Julio says that he is against recognizing Molina government as long as it does not control any Salvadoran territory.

WASHINGTON

816.01/12–1244 : Telegram

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

MONTEVIDEO, December 12, 1944—6 p. m.
[Received 8 : 40 p. m.]

1168. I have received from Serrato [60] two memoranda both dated December 11 in reply to information concerning situation in El Salvador conveyed to him pursuant to your circular telegrams of November 18, midnight, and December 5, midnight, respectively.

In first, he states (1) that he agrees that decision concerning recognition of Aguirre regime should be postponed until it demonstrates its stability and there is clarified its willingness to fulfill efficiently its duties of continental solidarity; (2) that he does not share the view that recognition should be conditioned upon establishment of democratic regime since he considers such requirement a form of intervention and difficult to apply and (3) that once agreement is reached to establish diplomatic relations, each state should be free to follow procedure it considers most opportune.

In second memo Serrato states that Uruguay agrees with proposal that any decision re recognition present Salvadoran regime be postponed until after presidential elections mid-January.

DAWSON

816.01/12–2044

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

No. 441 PORT-AU-PRINCE, December 20, 1944.
[Received December 26.]

SIR: I have the honor to report that the Department's views relative to the recognition of the present regime in El Salvador, as set forth in its circular telegram of November 18, 1944, 12 : 00 midnight, were conveyed to the Haitian Foreign Minister by note.[61]

In his reply, a copy of which with translation, is transmitted herewith,[62] Mr. Lescot observes that the new orientation, or broadening of the scope that certain American states wish to give to the consultation recommended by Resolution XXII of the Committee of Political Defense at Montevideo, perhaps endangers one of the basic principles

[60] José Serrato, Uruguayan Minister for Foreign Affairs.

[61] Embassy note 178 to Foreign Minister Gerard Lescot, dated November 20, 1944; no copy found in Department files.

[62] Foreign Office note A. L. No. 3808 to the Ambassador in Haiti, dated December 16, 1944, not printed.

of Pan American international law—that of non-intervention; points out that this attitude should receive serious consideration; and concludes by stating that in the opinion of the Haitian Government there are grounds for recognizing any regime of an American state accepted by its people, capable of maintaining internal order and of respecting international obligations if it can be established that this regime does not suffer any external or extra-continental influences capable of harming the collective security of the hemisphere.

Respectfully yours, WAINWRIGHT ABBOTT

[Continuing consultation among the American Republics in late 1944 failed to develop a consensus of opinion on the merits and timing of Salvadoran recognition. Further consultation was therefore postponed until after the presidential election in El Salvador in January 1945.]

INFORMAL ASSISTANCE BY THE DEPARTMENT OF STATE TO REPRESENTATIVES OF THE HOLDERS OF SALVADORAN BONDS UNDER THE LOAN CONTRACT OF JUNE 24, 1922 [63]

816.51/1188

Memorandum by the Chief of the Financial Division (Livesey)

[WASHINGTON,] January 6, 1944.

Mr. Dana Munro, President of the Foreign Bondholders Protective Council, called at the Department on another matter, fresh from a long conference with Messrs. Bustamante [64] and Valdés [65] of El Salvador. He said they were very good and decent to negotiate with, having shown not the slightest intention to go back on the understandings reached at their conference with him December 23,[66] although they found they had overlooked some fairly serious points.

The principal point was that they were surprised to find that payment for the arrears on unassented coupons would require $238,000. They were somewhat reassured when they recollected during the conversation that some $100,000 of this sum was already held by the Manufacturers Trust Company. However, they said that the remaining amount was too much to pay in cash and that they would have to spread payment for these coupons over a number of years. They did not recollect what had happened with funds sent [*set*] up under

[63] Continued from *Foreign Relations*, 1943, vol. VI, pp. 329–341.

[64] Ramón Arturo Bustamante, Salvadoran Under Secretary of the Treasury, Public Credit, Industry and Commerce.

[65] V. Manuel Valdéz of El Salvador's Economic Mission to Washington.

[66] Regarding the understandings reached between Messrs. Munro and Bustamante prior to December 24, 1943, see Mr. Munro's letter of December 24, 1943, *Foreign Relations*, 1943, vol. VI, p. 340.

the 1933 agreement [67] to cover these coupons and would also check on them.

Another matter was the odd amounts of principal of funding bonds which would be required in some cases if the exact amount of arrears were capitalized into the principal amount of bonds. Various technical methods for issuing bonds only in round amounts of principal and paying the excess fractions in scrip were discussed. The difficulty is in part that the Minister of Finance [68] has some outstanding commitment that he would not issue any more scrip. It was not decided just what device could be used.

The Salvadorans brought up again the question of distribution of amortization, suggesting that the 45% allocated to the A bonds [69] should be made to serve both the A bonds and the funding bonds. Mr. Munro tried to reverse this and to have the whole 45% applied solely to the A bonds by including the amortization of the funding bonds in the 30% allocated to the C bonds. The Salvadorans rejected this, apparently calculating that the 45% applied to the A bonds would reduce their number so rapidly and maintain so strong a bid in the market that the price of the bonds would rapidly go up and thus make the amortization more costly. This would have been agreeable to Mr. Munro as making the offer more attractive to holders of A bonds who may raise objections to the relative treatment they receive in comparison with their treatment under the 1936 agreement [70] and to their contractual priority. The matter was finally compromised by providing that from 37½% to 45% should be applied to the A bonds and from 30% to 37% to the C bonds and the funding bonds.

Mr. Munro had taken thought to the sentence about the abolition of the Office of the Fiscal Agent in his letter of December 24 [71] and obtained its amendment to read to the effect that so far as the bondholders were concerned, they would not object to the abolition of the office. He said it was no function of the bondholders to agree to the abolition.

The letter of December 24 was withdrawn. A memorandum of agreement [72] will be substituted as the basis for submitting the matter to the Salvadoran Congress.

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[67] A temporary agreement signed *ad referendum* April 5, 1933; final draft signed May 6, 1933, *Diario Oficial*, May 20, 1943, p. 1021.

[68] Rodrigo Samayoa.

[69] For the distinction between A, B, and C bonds, see third paragraph of despatch 1363, March 4, from San Salvador, p. 1119.

[70] For text of the Readjustment Agreement of April 27, 1936, see Foreign Bondholders Protective Council, Inc., *Annual Report*, 1936 (New York, 1937), p. 373. For correspondence on this subject, see *Foreign Relations*, 1936, vol. v, pp. 572 ff.

[71] *Ibid.*, 1943, vol. vi, p. 340.

[72] *Infra.*

Mr. Munro said that Messrs. Bustamante and Valdés had called on Sir David Waley of the British Treasury at the British Embassy at Sir David's request. They were much offended by Sir David's tone in exhorting them to pay and in telling them that otherwise the London market would never make any other Salvadoran loan. Mr. Bustamante replied he hoped so and regretted that London had not taken that decision much earlier.

Mr. Munro said that he had learned that, on the other hand, Mr. Barry, American Representative of the British Council of Foreign Bondholders, had talked again with the Salvadorans and on Monday, January 3, had telegraphed the Council that conditions had changed, an agreement like that made in 1936 was no longer possible and the Council should accept the Salvadorans' proposal.

816.51/1193

Memorandum of Understanding Between the Government of El Salvador and the Foreign Bondholders Protective Council, Inc.[73]

[New York,] January 13, 1944.

I. The Government of El Salvador will offer to pay interest on the dollar and sterling bonds at present outstanding at one-half of the rates fixed by the contract of 1922.[74] The Government will provide a minimum of $800,000 U. S. Currency per annum for interest and amortization on the A, B, and C bonds now outstanding, and on the proposed new funding bonds representing back interest. It is understood that the bonds which have been or are being purchased by the Government are not included. So much of this sum as is not needed for interest service will be used for purchases in the market if the bonds are selling below par; or for drawings for redemption at par when the bonds are selling at par or above.

II. The Council understands that the Government plans to use the proceeds of the new coffee export tax exclusively for the service of its now outstanding debts, so that a considerable sum may be available for additional amortization in certain years. If such additional amortization is effected, bonds retired in excess of contractual requirements may be taken into account in calculating amortization requirements in subsequent years.

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[73] Copy transmitted to the Department in a letter from Mr. Munro to Mr. Frederick Livesey, dated January 13, 1944. The terms of the understanding herein outlined were, in effect, approved by the Salvadoran Assembly in Decree No. 12 of April 13, 1944, copy and translation of which were transmitted to the Department in despatch No. 1485, April 19, 1944, from San Salvador (816.032/188).

[74] For correspondence concerning the loan contract entered into by the Government of El Salvador and Mr. Minor C. Keith on June 24, 1922, see *Foreign Relations*, 1922, vol. II, pp. 885 ff.

III. Seventy-five per cent of such portion of the $800,000 annual service fund as is available for amortization will be applied to the retirement of the bonds of Series A and Series C. Not less than 37½% and not more than 45% of the sum available for amortization will be applied to the retirement of bonds of Series A and not less than 30% nor more than 37½% to the retirement of Series C bonds and the new 3½% funding bonds representing back interest on the A and C bonds. All bonds will be retired within 30 years from January 1, 1944. When the bonds of any series are retired, the funds formerly available for their service will be applied pro rata for the amortization of the series still outstanding.

IV. Back interest on all of the dollar bonds, from the time when payments under the 1936 plan ceased up to and including December 31, 1943, will be satisfied by the issuance of new 3½% bonds to an amount equal to one-half of the arrears calculated at the rates of the 1922 contract. These bonds will be issued in denominations of $100, $500, and $1,000. For odd amounts, less than $100, the Government will issue scrip which will be exchangeable, in multiples of $100, for funding bonds with coupons from January 1, 1944 attached. Such exchange, however, must be effected before July 1, 1947.

V. Outstanding scrip will be paid in cash at 15 percent of the face value at the time when the first interest payment is made under the new plan.

VI. Bondholders who did not receive payments under the 1933 or 1936 plans will receive, in addition to the funding bonds, payments in cash per $1,000 bond as follows: for bonds of Series A,—$200 corresponding to payments not received under the 1933 plan and $165 corresponding to payments not received under the 1936 plan; for bonds of Series C,—$108 corresponding to payments not received under the 1933 plan and $105 corresponding to payments not received under the 1936 plan.

VII. For the payment of the sums referred to in paragraph VI, the Government will use approximately $127,000 now in the hands of the Fiscal Agent [75] for the payment of interest on unassented bonds, plus such portion of the first annuity of $800,000 as may be needed for this purpose. In order, however, to provide at least $227,115 for retirement of bonds in the first year, the Central Bank of El Salvador will invest in the purchase of bonds a sum equal to $227,115 less such amount as may be available for amortization from the $800,000 annuity. Bonds so purchased will be regarded as a part of the internal debt and their service will not be charged against the $800,000 annuity.

[75] The Manufacturers Trust Company, New York City.

816.51/1193

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

No. 483 WASHINGTON, January 18, 1944.

The Secretary of State refers to the Department's instruction No. 463, dated January 6, 1944,[76] regarding the readjustment of the foreign debt of El Salvador and encloses copies of a memorandum [76] which the Foreign Bondholders Protective Council, Incorporated, is sending to the Salvadoran Under-Minister of Finance summarizing the Council's understanding of the results of their conversations.

In a letter of January 13, 1944,[76] transmitting the enclosed text [77] to the Department, Mr. Dana G. Munro, President of the Foreign Bondholders Protective Council, commented as follows:

"One paragraph, number VII, is tentative because the arrangement to which it refers will require the approval of the Central Bank. I am writing Mr. Bustamante that if the arrangement referred to proves impracticable we would be willing to accept an arrangement where payments due on the unassented bonds under the 1933 arrangement would be paid at once and the coupons due from July 1, 1935 to January 1, 1938 would be redeemed over a period of three years ending July 1st, 1947."

816.51/1198

Memorandum of Conversation, by the Adviser, Office of Economic Affairs (Livesey)

[WASHINGTON,] February 10, 1944.

At Mr. Cabot's [78] suggestion, I telephoned Mr. Munro at Princeton that the Salvadoran Ambassador [79] had told the Department that the British Chargé d'Affaires [80] had taken up the pending bond settlement with the Salvadoran Government. Apparently the principal, possibly the sole, point of protest had been that the holders of the sterling B bonds are offered only three percent interest on the funding bonds to be issued in respect of arrears of interest since 1938 whereas holders of the dollar bonds (eight percent A bonds and seven percent C bonds) are offered three and one-half percent. The Salvadoran negotiators are to see Mr. Munro on this point. I said that those in the Department who had discussed the matter were of the opinion that if this is all that stands in the way of British acceptance of the proposed terms no objection should be offered to giving the British

[76] Not printed.
[77] The memorandum *supra*.
[78] John M. Cabot, Assistant Chief, Division of Caribbean and Central American Affairs.
[79] Hector David Castro.
[80] Edgar J. Joint, Consul in San Salvador with local rank of First Secretary.

bondholders the three and one-half percent rate on funding bonds. Mr. Munro said he entirely agreed.

I said that no mention of the rate to be paid on arrears of interest on the B bonds appeared in the memorandum of agreement between Mr. Munro and the Salvadoran negotiators but we had found that in the Salvadoran proposal, of which Mr. Munro had informed the British Council [81] through State Department telegram of December 4, 1943,[82] provision was made for 50 percent of back interest since 1938 to be cancelled and remainder funded in new bonds at 3½ percent in case of arrears of A and C bonds, and 3 percent in case of B bonds. Mr. Munro reminded me that the telegram of December 4 informed the British Council that he would discuss with his executive committee so much of the plan as affects dollar bonds but that he could not negotiate for sterling bonds and that El Salvador must take up with the British Council the parts of the plan affecting the sterling bonds.

I said that it seemed to me that while it was not unreasonable to base the rates of continuing service on the bonds on a percentage of the contractual interest rates, there was little reason to charge different rates of interest on the new bonds but that it would be reasonable to give a uniform interest rate on the new bonds as compensation for the delay in paying the arrears. It would be fortunate if the British could be induced to assent to the bond plan by giving them a concession on this point. Mr. Munro said that he quite agreed and that he had never thought that the British would be prepared to accept the 3 percent rate on arrears which Mr. Bustamante had proposed for the B bonds.

I said that I had telephoned merely for his advance information and to indicate a point of view. I said that the Department had not received any report from our Mission in San Salvador giving the terms of the British protest delivered there and it is, of course, possible that there may be a misunderstanding as to what were the terms of the protest and what they may have included beside this point concerning the interest on the new bonds.

For the rest, Mr. Munro said that he is trying to get James Grafton Rogers [83] to come to New York and agree to go to Peru on the Peruvian bond matter.[84] Mr. Rogers has been vacationing somewhere in Western Pennsylvania but Mr. Munro hopes to get him to come to New York in a few days.

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[81] British Council of Foreign Bondholders.

[82] Not found in Department files.

[83] Mr. Rogers was at this time being considered as successor to Mr. Munro as President of the Foreign Bondholders Protective Council.

[84] For correspondence concerning U. S. interest in the Peruvian debt problem, see pp. 1568 ff.

816.51/1200

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

No. 1363 SAN SALVADOR, March 4, 1944.
[Received March 10.]

SIR: With reference to recent reports concerning a readjustment of El Salvador's foreign debt and in connection with the concessions in interest rates which are to be made by American bondholders, I have the honor to report that records available here show that the Government of El Salvador has already paid $20,110,640 of the Foreign Loan of 1922, which amounted to nearly $21,400,000, and that it will have to pay approximately $25,000,000 more, even under the more favorable terms granted, if the original obligation is to be retired completely.

Records maintained by the Office of the Fiscal Representative under the Foreign Loan of 1922, in San Salvador, show that prior to the default of service on its debt as of January 1, 1938, the Government of El Salvador made payments on its debt annually for fifteen years beginning in 1923. The following table shows the amounts which El Salvador paid in dollars and the equivalent in colones at the rate of exchange then existing:

Year	*Loan Service $*	*Average Exchange Rate*	*Loan Service ₡*
1923	$ 441,466	200	₡ 882,932
1924	1,757,529	200	3,515,058
1925	1,750,168	200	3,500,336
1926	1,787,928	200	3,575,856
1927	1,869,968	200	3,739,936
1928	1,850,448	200	3,700,896
1929	1,835,488	200	3,670,976
1930	1,811,568	200	3,623,136
1931	1,792,088	206	3,691,701
1932	520,555	254	1,222,098
1933	1,084,940	295	3,200,573
1934	1,058,494	259	2,741,499
1935	850,000	250	2,125,000
1936	850,000	250	2,125,000
1937	850,000	250	2,125,000
Total	$20,110,640		₡43,439,997

Bonds of the Foreign Loan of 1922 originally sold in the United States had a face value of $17,493,985 distributed as follows: $6,000,000 in 8 percent bonds of Series "A"; $10,500,000 in 7 percent bonds in Series "C"; and $993,985 in 4 percent certificates of deferred interest. In addition, 6 percent bonds of Series "B" valued at 853,140 pounds sterling (or $3,897,729 at a $4.85 exchange rate) were taken by British bondholders.

Although the Government of El Salvador has not yet published a statement showing its public debt position at the end of 1943, it is estimated that the total outstanding obligation on that date exceeded $18,300,000, of which about $5,500,000 represented interests accumulated since January 1, 1938 at the 1922 contract interest rates. Since half of this accumulation is to be cancelled under the new readjustment agreement, it will be observed that approximately $15,500,000, in addition to future interest payments, remains to be paid. Since the interest rates under the 1922 contract are now to be halved, and annual amortization payments are to be made, it would appear that approximately $10,000,000 more in interests will have to be paid in service of the debt before it may be definitely retired.

Respectfully yours, WALTER THURSTON

816.51/1211

Mr. Frank P. Gage of the Manufacturers Trust Company to the Salvadoran Minister of Finance (Samayoa) [85]

NEW YORK, May 5, 1944.

HONORABLE SIR: We have examined a copy of Decree No. 12 issued by the National Assembly of the Republic of El Salvador on April 13, 1944, which we have been advised was published on April 21, 1944, in the *Official Gazette*, No. 87, Volume 136. We understand that such Decree has now officially become effective. We also understand that as a result of such Decree material modifications have thereby been effected in the terms and provisions of the Loan Contract dated June 24, 1922, between the Republic of El Salvador and Minor C. Keith, under which there have been issued and are now outstanding bonds of Series A in the aggregate principal amount of $3,229,000, bonds of Series B in the aggregate principal amount of £853,140 (Sterling) and bonds of Series C in the aggregate principal amount of $8,546,700. We further understand that the Republic of El Salvador does not intend to comply with and perform the terms and provisions of the Loan Contract on its part to be complied with and performed but, instead, intends to comply with and perform the terms and conditions of such Decree.

Under these circumstances, and upon the basis of the foregoing, as Successor Fiscal Agent under the Loan Contract we hereby formally protest against any action taken or to be taken by the Republic of El Salvador under the terms and provisions of such Decree upon the ground that the taking of any such action is and would be in violation of the terms and provisions of the Loan Contract, and in violation of

[85] Copy transmitted to the Department by Mr. Gage in his letter of May 22, 1944, not printed.

the rights of the holders of Series A, Series B and Series C bonds of the Republic of El Salvador issued and now outstanding thereunder and upon the further ground that any such action taken or to be taken by the Republic of El Salvador under the terms and provisions of such Decree is and would be unlawful under the laws of the State of New York, United States of America, pursuant to which, in accordance with the provisions of Article XXIII thereof, the Loan Contract is required to be construed.

Since the terms and provisions of the Loan Contract are known to you we do not think it necessary to point out to you the manner in which and the extent to which, by your action taken and to be taken under the terms and provisions of such Decree, you have violated and will violate the terms and provisions of the Loan Contract and the rights of the holders of Series A, Series B and Series C bonds of the Republic of El Salvador issued and now outstanding thereunder.

For your information we are transmitting a copy of this protest together with a copy of such Decree to the Honorable Cordell Hull, Secretary of State of the United States of America, Washington, D. C.

Very truly yours, FRANK P. GAGE
Trust Officer

816.51/1210

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

No. 1595 SAN SALVADOR, May 19, 1944.
[Received May 23.]

SIR: Supplementing despatch no. 1561, dated May 13, 1944,[86] I have the honor to report that Mr. Renwick[87] advised me today that the Fiscal Agent under the Salvador loan contract has filed a protest with the Salvadoran Government and with the Department of State[88] against the proposed debt settlement under negotiation between agents of the Salvadoran Government and the Foreign Bondholders Protective Council Inc.

Mr. Renwick added that he has submitted a memorandum to the Salvadoran authorities on the subject (he stated he would give me a copy of the memorandum),[89] suggesting that the proposed settlement be abandoned, describing the settlement as an *ex-parte* arrangement in which the bondholders had no voice, and urging that as a provisional measure service be resumed on the bonds on the basis of the Readjustment Agreement of April 27, 1936.

Respectfully yours, WALTER THURSTON

[86] Not printed.
[87] William W. Renwick, representative of the Fiscal Agent.
[88] *Supra.*
[89] Copy transmitted to the Department by the Ambassador in his despatch 1599, May 20, 1944; neither printed.

816.51/1212

Memorandum by the Adviser, Office of Economic Affairs (Livesey)

[Extracts]

[WASHINGTON,] June 3, 1944.

FINANCIAL MISGUIDANCE BY FISCAL REPRESENTATIVE OF EL SALVADOR LOAN

Mr. W. W. Renwick's communications of about May 16, 1944,[90] to the Salvadoran Minister of Finance concerning Decree No. 12 of April 13, 1944, are most extraordinary.

They are a reckless attack on the established and customary methods by which governments negotiate readjustments of service on their defaulted bonds. In them Mr. Renwick tells the Financial Minister that to carry through with utilization of these usual procedures as authorized by Decree No. 12 would be an indelible stain on the good name and credit of El Salvador and would close the gates of credit to El Salvador. These remarks, if true, would appear to be equally applicable to the numerous other governments which have negotiated adjustments with the Foreign Bondholders Protective Council of New York and the Council of the Corporation of Foreign Bondholders of London without these Councils having obtained legal powers to represent the bondholders similar to the powers granted the Bondholders Protective Committee for Republic of El Salvador by the deposit agreements which that Committee imposed upon holders of El Salvador bonds. The most recent case of such an adjustment is Brazil, in November 1943, the adjustment covering some $900,000,000 par value of bonds.[91]

The two Councils have had long negotiations with the Government of El Salvador and announced in March 1944 that when the Salvadoran Congress approved the terms on which agreement had been reached in these negotiations the Councils would recommend to holders of dollar bonds and to holders of sterling bonds respectively to accept the terms agreed on. Decree No. 12 refers to these negotiations and authorizes the proposal agreed on with the Councils. Whereupon Mr. Renwick attacks the decree by referring to it as a "unilateral proposal" or a "unilateral adjustment".

It is with reference to the agreement negotiated by the Councils that Mr. Renwick writes the Finance Minister as follows:

"The proposal of a unilateral adjustment to the American bondholders, without giving the latter the opportunity of defending their rights, by means of representatives with sufficient power, whatever

[90] Copies in Spanish of the two memoranda were transmitted to the Department by Ambassador Thurston in his despatch 1599, May 20, 1944; none printed.

[91] For correspondence on this adjustment, see *Foreign Relations*, 1943, vol. v, pp. 765 ff.

may be the apparent advantages it offers momentarily, cannot fail in time to have serious repercussions on the good faith of the Government." . . .[92]

"It would appear that the most serious difficulty of the recent proposal of adjustment has been its unilateral character, for which it has been harshly criticized in the financial reviews of the United States and in London. . . .[92] the relatively simple arrangement recently proposed which, in reality, is not an adjustment at all because in its negotiation no representative of the bondholders has ever been heard or taken into consideration."

"The imposition of a unilateral proposal on bondholders who acquired the obligations of the Republic in good faith would put an indelible blot on the good name and credit of the Republic. In 1936 in accord with the Republic and taking the circumstances into account, the bondholders almost unanimously (95%) granted their assent to the reduction of the service and of the interest rates; but if an arrangement is imposed on them unilaterally, the gates of credit will be closed in the future, except on terms perhaps more severe and burdensome than those of the 1922 contract."

The course which Mr. Renwick recommends as a substitute for Decree No. 12 is the following:

"If the Government were now to invite the bondholders to form a committee, it is reasonable to expect a comprehending attitude on the part of the bondholders towards the Government's position, and it may be anticipated that there would be no difficulty in reaching a just arrangement satisfactory to both parties."

Mr. Renwick thus recommends that instead of carrying out the agreement negotiated with the two Councils, the Government of El Salvador should invite the bondholders to form a committee to negotiate new terms. In so recommending, he differs from the Committee [93] which negotiated the previous agreements with El Salvador and which, by virtue of deposit agreements with 95% of the bondholders, had power to act legally for the bondholders. In its announcement of March 29, 1943 [94] to bondholders, terminating its own existence, that Committee said:

"The Committee has given thought to an appropriate and reliable channel of communication, to which the bondholders could turn for information after the Committee dissolves, and in consequence has discussed the matter with the Foreign Bondholders Protective Council, Inc., 90 Broad Street, New York, N.Y. This non-profit organization, formed in 1933 at the request of the Secretary of State, the Secretary of the Treasury, and the Chairman of the Federal Trade Commission, has been instrumental in negotiating settlements for bondholders in a number of foreign default situations. It does not accept custody or deposit of bonds. In case of permanent adjust-

[92] Omission indicated in the original memorandum.

[93] Bondholders' Protective Committee for the Bonds of the Republic of El Salvador.

[94] Not printed.

ments which result in offers of debt service considered fair and equitable to the bondholders, a contribution of $1.25 per $1,000 bond is usually requested.

"As a result of our conversations, the Foreign Bondholders Protective Council, Inc., has indicated its willingness to include all the El Salvador dollar bonds in its field of activities and will advise the former depositing holders of Salvador bonds of any important development affecting their interests of which the Foreign Bondholders Protective Council, Inc. has knowledge and of which, in its judgment, the bondholders should be informed. It should be clearly understood that this involves no obligation either on the part of the Foreign Bondholders Protective Council, Inc. or on the part of the Salvadore bondholders."

. . . . . .

Since the incorporation of the Council in 1933, the formation of bondholder committees has practically ceased, and the committees then existing have dissolved. Mr. Renwick's appeal is for a return to an old regime which appears to have been effectively replaced by the regime against which he protests. Washington observers know of no basis for his statement that there has been harsh criticism in the financial reviews of the United States and in London of the recourse of El Salvador to the procedure of negotiation with the Council, nor has such criticism of the terms themselves been observed.

816.51/1212

Memorandum by the Adviser, Office of Economic Affairs (Livesey)

[WASHINGTON,] June 6, 1944.

Mr. Renwick is attacking the El Salvador debt adjustment by attacking the bases on which the Foreign Bondholders Protective Council operates. He does not mention the Council by name but attacks the agreement as unilateral because made otherwise than by agreement with a committee having legal power to represent bondholders.

Over the telephone the other day I read to Mr. Dana Munro of the Council the excerpts from Mr. Renwick's letters which are quoted on page 2 of my memorandum of June 3. Mr. Munro said that the British have been indicating discontent with the adjustment, Mr. Berry of the British Council having told him that they had not understood they were giving up the Customs Agency security. Mr. Munro said that he had mentioned this point in his telegrams to London but the British said they had not taken it in. If the British representatives in El Salvador were to help Mr. Renwick's campaign, they might persuade some new El Salvador official not to go on with the adjustment.

I am not sure whether it would be worthwhile to send my memorandum of June 3 [95] to the Embassy at El Salvador as possible ammunition but I have drafted an instruction [96] doing so.

The British Council does have legal power to represent holders of sterling bonds of El Salvador, having obtained deposit of bonds by the deposit agreement quoted on page 222 of the Securities and Exchange report of May 14, 1937 on protective committees for holders of defaulted foreign governmental bonds. The British Council does not always obtain deposits of bonds, but when it does no plan can be consummated without the approval of the investors at a bondholders meeting. Mr. Renwick is therefore leveling his attack at a point of cleavage between American and British practice in the Salvador adjustment negotiations.

The El Salvador Congress in 1932 rejected an adjustment agreement which the Salvadoran Minister of Finance had signed with an American Protective Committee. The reason set forth in the preamble to the resolution is as follows:

"Considering that the agreement . . .[97] is devoid of legal effect because the legal personality of the said members of the committee as representatives of the bondholders is not set forth which is an indispensable requisite to make the agreement valid."

Taking these two considerations together, it seems that Mr. Renwick shows a certain skill in trouble making.

816.51/1212: Telegram

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

WASHINGTON, June 10, 1944—6 p. m.

159. You may, in your discretion, inform the appropriate Salvadoran authority that the Department does not support the views expressed by Mr. Renwick, regarding the recent Salvadoran bond settlement, as set forth in the enclosure to your despatch no. 1599 of May 20, 1944.[98] The Department has no objection to the plan already negotiated between the Salvadoran representatives and the Foreign Bondholders Council; and it earnestly hopes that the Salvadoran Government, on its part, will maintain the expressed intention of the previous Salvadoran Administration [99] to carry out this plan. Fur-

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[95] *Supra.*

[96] Not found in Department files.

[97] Omission indicated in the original memorandum.

[98] Despatch and its enclosures not printed.

[99] For information on the revolutionary change of government in El Salvador, see pp. 1087 ff.

ther background material is being forwarded by airmail for your information.

STETTINIUS

816.51/1214

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

No. 1716 SAN SALVADOR, June 14, 1944.
[Received June 19.]

SIR: With reference to the Department's telegram No. 159 of June 10, 6 p. m., I have the honor to report that the Department's views regarding the recent Salvadoran bond settlement have been conveyed by Mr. Ainsworth [1] to the Minister of Finance, Dr. Héctor Escobar Serrano, who has affirmed the intention of the present Provisional Government to conclude the negotiations necessary to implement the plans already agreed upon for a readjustment of and resumption of service on El Salvador's foreign debt.

Dr. Escobar Serrano stated that he thought that the plan already negotiated ("but with some small details still to be worked out before an offer can be made") was a good one, and that the Salvadoran Government intended to carry it out. He said that the Manufacturers Trust Company's protest "was to be expected and was natural", but that he does not find himself in agreement with Mr. Renwick's views concerning the recent bond settlement.

With regard to Mr. Renwick's contention that a readjustment of the terms of the debt should not be made with the Foreign Bondholders' Protective Council, inasmuch as that organization does not represent the bondholders, Dr. Escobar Serrano stated that Mr. Renwick apparently has forgotten that when the Salvadoran Bondholders' Protective Committee dissolved, it turned over its records to the Council and recommended to bondholders that they accept the intermediation of the Council in the future.

On June 1st, in response to various articles which appeared in the local press, among them several concerning the actual size of the foreign debt, the Ministry of Finance issued a public bulletin which included the following statements:

"The external debt on December 31, 1931 amounted to $17,393,399.50, which has been reduced considerably and not increased as the public has been informed.

"The Ministry of Finance is at present negotiating with the Foreign Bondholders' Protective Council of New York to arrive at a new agreement. This arrangement will be beneficial for the country, and as soon as it has been concluded details will be made known to the public, as well as exact information concerning the amount of the external debt."

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[1] H. Gardner Ainsworth, Third Secretary and Vice Consul in San Salvador.

This public statement at first appeared to be simply informative and it was not regarded as a definite statement of policy. It was believed at that time that it had not been decided definitely whether the Provisional Government should properly take final action in this matter. Around June 1, President Menéndez [2] had suggested to Mr. Agustín Alfaro, who had a part in the 1936 Readjustment Agreement and was Auditor General of the Republic for several years, that he consider handling the matter during his forthcoming visit to the United States, but this was only a preliminary gesture.

During the interview Dr. Escobar Serrano said that the statements contained in the Ministry's bulletin above referred to could be considered as a definite statement of the intention of the present Ministry to carry out the negotiations already far advanced and if possible to conclude them. He also stated that he did not regard this matter as a political question and that he believed that the Provisional Government should carry out the plan without delay.

Dr. Escobar Serrano's principal problem is to find a competent person to continue the negotiations, which include making financial arrangements with the Manufacturers' Trust Company and the National City Bank of New York, the preparing and printing of new bonds, the making of an offer to the bondholders and other details. Mr. Arturo Bustamante does not wish to accept any public mission because of the public feeling against him here, and Mr. Luis Alfaro is unwilling to leave the Central Reserve Bank, of which he is President, inasmuch as his General Secretary (Mr. Manuel Valdés) is still in Washington. Dr. Escobar Serrano is continuing his discussions with Mr. Agustín Alfaro, but it is unlikely that Mr. Alfaro will undertake this charge. He strongly favors an immediate resumption of service on the foreign debt, and it is believed that his objections to the plan already negotiated are based entirely on the manner in which it was presented, as a "take it or leave it" proposition but he apparently does not wish to represent El Salvador officially because of the possible political repercussions.

Respectfully yours, WALTER THURSTON

816.51/9–144

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

No. 1960 SAN SALVADOR, September 1, 1944.
[Received September 5.]

SIR: I have the honor to review at this time recent developments concerning the prospective renewal of service on El Salvador's external debt, as they are known to the Embassy from conversations with Mr. V. Manuel Valdés, who has just returned from Washington.

[2] Andrés I. Menéndez assumed the Presidency May 9, 1944.

The Embassy has received from Mr. Valdés a draft copy of the Offer which the Salvadoran Government will soon make to American and British bondholder. It is understood that the Department also has this document.[3]

Mr. Valdés has presented the Offer to the Minister of Finance, and he hopes that it will be submitted to the National Legislative Assembly, which convenes today in special session, as soon as possible. According to Mr. Valdés, the attorneys in Washington employed by the Salvadoran Government expressed the opinion that the Offer in its final form should be submitted to the Salvadoran legislature for approval in advance of its public announcement. It is expected that the National Legislative Assembly will be in session for the next ten days and that this matter will be given consideration during that time.

Following approval of the Offer by the National Legislative Assembly, it is understood that the Government will issue a letter of appointment naming the Central Reserve Bank of El Salvador as its fiscal agent (on a non-profit basis) to handle service on the debt, and that the Bank in turn will appoint the National City Bank of New York as its representative in the United States for the same purpose. All preliminary arrangements have been made concerning these appointments. By the end of September or in early October it is expected that a public announcement of the Offer will be made, after its approval by the Securities Exchange Commission. It is said that the Offer has already been approved by the New York Stock Exchange, on which the Salvadoran bonds will henceforth be listed.

Mr. Valdés states that the Salvadoran Government has already begun the amortization of its bonds, within the terms of the new Offer, and that a total of very close to $225,000 has been expended since May, 1944 for their retirement.

It is further understood that the Salvadoran Government has transferred sufficient funds to the Central Reserve Bank to meet the interest payments due on July 1, 1944, and most of the funds needed to pay the January 1, 1945, coupons. The Central Reserve Bank in turn has transmitted these funds to the National City Bank of New York and to the Bank of London and South America, Ltd., in London. As the Department is aware, the Foreign Bondholders' Protective Council of New York, the National City Bank and the Salvadoran representatives then in Washington agreed that it would be most difficult and perhaps illegal to make the July 1, 1944, interest payment at that time, and that it would be preferable not to disrupt negotiations leading to the new Offer in order to make the payment.

The transmission of funds to New York and London for payment of the July 1, 1944, interest coupons was made pursuant to Legis-

[3] Not found in Department files.

lative Decree No. 69 of June 19, 1944, published in the *Diario Oficial* on June 27 and transmitted to the Department by despatch No. 1768 dated June 28, 1944.[4] In its despatch the Embassy stated that "This action is of little importance other than as an administrative arrangement", believing that the Decree simply authorized the Salvadoran Treasury to transfer funds to the Central Reserve Bank in an amount sufficient to meet subsequent interest payments. It is now clear, however, that the Salvadoran Government intended by this Decree to renew service immediately as an indication of good faith. The National City Bank, for its part, is said to have stated that this Decree would appear to permit payment of the July 1, 1944, interest coupons only within the terms of the Offer, and that service could not therefore be resumed until the Offer was definitely made.

According to Mr. Valdés' figures, the Salvadoran Government will make payments during 1944 totalling at least $1,076,863.19, of which $800,000 constitutes the regular Service and Sinking Fund under the Offer (including the $225,000 already spent for amortization) and the remaining $276,863.19 represents payments which will be made to bondholders who did not agree to the 1933 and 1936 readjustments and to holders of scrip.

It is said that the Manufacturer's Trust Company of New York still holds close to $127,000 of Salvadoran funds entrusted to it as Fiscal Agent under the previous arrangements, and that the release of this money may be dependent upon legal action.

Respectfully yours, WALTER THURSTON

816.51/10–1244

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

[Extract]

No. 2079 SAN SALVADOR, October 12, 1944.
[Received October 18.]

SIR: With reference to the Embassy's confidential despatch No. 2053 of October 3, 1944 [4] concerning opposition to the pending debt settlement which appears to exist at this time in the National Legislative Assembly, I have the honor to report that the reasons for this opposition may lie in the following suggestions which have been advanced recently by several persons:

1. That the debt readjustment is considered too important a matter for final settlement by a Provisional Government;

2. That better terms may possibly be obtained; i.e., that the principal might be reduced as well as the interest rates and the arrears of interest;

[4] Not printed.

3. That the members of the Assembly (who were of course hand-picked by the Martínez regime and accustomed to act only under his orders) are unused to independence and have not received sufficient guidance on the subject from the Government;

4. That the Deputies used the debt issue as a time-killer in order to prolong the special session up to the date of the regular session (Sept. 1 to Oct. 1), thus earning more pay;

5. That there are several members of the Assembly who without any genuine or reasoned objection have used it as an excuse for exhibitionist oratory; and

6. That opposition within the Assembly may be fomented by individuals or by a group outside the legislature for personal or political reasons.

. . . . . .

Respectfully yours, WALTER THURSTON

816.51/10–2044

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

[Extract]

No. 2096 SAN SALVADOR, October 20, 1944.
[Received October 28.]

Subject: Delay in approval of foreign debt readjustment by Salvadoran Legislative Assembly.

SIR: I have the honor to refer to the Embassy's despatches nos. 2053 [6] and 2079 of October 3 and 12, respectively, on the above subject and to report that, despite the efforts of the Government, through the Ministry of Finance, to obtain approval of the terms of the offer leading to a renewal of service on El Salvador's foreign debt, an influential group in the National Legislative Assembly continues to oppose the readjustment.

In addition to the several possible reasons previously reported in explanation of the Assembly's attitude, it now appears that a new and more compelling argument is being advanced from outside the Assembly and that as a result a number of the deputies may be taking a stronger stand against approval of the Offer.

The new opposition is reliably reported to come from Dr. Carlos Menéndez Castro, President of the Coffee Growers' Association, and from the conservative group of coffee growers whom he represents. They reportedly argue that if the readjustment is approved and service is renewed on the foreign debt, payments will be made from a special budget fund (for public debt retirement) which derives entirely from the proceeds of the export tax on coffee. This is in fact the arrangement made during the Martínez administration. Since the Menéndez Castro group has long opposed the coffee export tax, for a variety of

[6] Not printed.

natural but not always justified reasons, it is said that they now oppose renewal of service on the foreign debt, probably on the ground that such action would perpetuate the present export tax arrangement.

. . . . . .

Respectfully yours, GERHARD GADE

816.51/11–2544

The President of the Foreign Bondholders Protective Council, Inc. (Munro), to the Adviser, Office of Economic Affairs (Livesey)

NEW YORK, November 25, 1944.

DEAR FRED: I am sending you for your information a copy of a letter which we received some time ago from Lord Bessborough and a copy of my reply.[7] You may wish to have this for the Department's files.

I am sorry to hear that the situation in El Salvador looks rather discouraging at present. I hope, however, that any administration which finally comes into power there will not be permitted simply to throw out the debt settlement. It seems to us that the same considerations which led the Department to make such effective representations before the present negotiations started would lead it to insist that the new government go through with them, and it would be pretty hard for any new government to disregard the Department's views.

With best wishes, DANA G. MUNRO

[7] Neither printed; this correspondence with the President of the British Council of Foreign Bondholders related to that Council's objections to the abolition of the charge on customs revenue as security for Salvadoran bonds (816.51/11–2544).

GUATEMALA

REVOLUTION IN GUATEMALA AND RECOGNITION OF A NEW REGIME BY THE UNITED STATES AND OTHER AMERICAN REPUBLICS

814.00/1464 : Telegram

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

GUATEMALA, June 21, 1944—5 p. m.
[Received 10:24 p. m.]

378. Largely inspired by recent successful revolutions in Salvador and Ecuador [1] under[ground] opposition to Ubico [2] is intensifying. While the administration is firmly intrenched, following are highlights of opposition movement: University students are holding a mass meeting this afternoon ostensibly to demand faculty changes but an anti-Ubico demonstration is predicted. A movement to boycott celebration of founding of liberal party on June 30 is growing among teachers, students, and opposition groups and handbills are said to be circulating calling for abstention from celebration.

A confidential American informant was sent to the Embassy this morning by a Cabinet Minister to report that a group of doctors and nurses are planning a sitdown strike along Salvadoran lines and to inquire whether American doctors and nurses could be counted on to handle emergency cases. I replied that this would constitute intervention in internal politics in violation of our well known policy. I do not take an alarmist view of situation but the Government is known to be nervous and there is a widespread belief that a climax may be approached by June 30 or soon thereafter.

LONG

814.00/1470 : Telegram

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

GUATEMALA, June 25, 1944—12 noon.
[Received 7:50 p. m.]

402. At request of President have called meeting Diplomatic Corps [3] to determine position toward extending good offices in effort

[1] For correspondence on the revolutions in El Salvador and Ecuador, see pp. 1087 ff., and pp. 1036 ff., respectively.

[2] President Jorge Ubico.

[3] Ambassador Long was acting as Dean of the Diplomatic Corps during the absence of the Papal Nuncio, Msgr. Giuseppe Beltrami, who returned to these duties on June 27.

to reach settlement, disorders increasingly serious, sporadic firing in city and police using tear gas bombs. As I left Ubico a delegation from opposition was at the Palace to confer with him. If accord reached intervention Diplomatic Corps will not be necessary.

Repeated Mexico and Missions in Central America.

LONG

814.00/1476 : Telegram

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

GUATEMALA, June 25, 1944—midnight.
[Received June 26—1:03 p. m.]

409. Renewed negotiations this afternoon by delegation referred to in my telegrams of today attended by President and part of Cabinet resulted in deadlock. I will accompany committee from Diplomatic Corps tomorrow morning to inform the Minister for Foreign Affairs [4] that we consider our mission accomplished, expressing regret at lack of success and lamenting shooting incident this evening during exercise of good offices by Corps. We will also express hope on humanitarian grounds that practical armistice may be instituted by withdrawal of troops from streets. While situation is not quite hopeless, *intransigeant* attitude of Government and today's ruthless policy measures are distinctly discouraging developments. Corps will endeavor to keep door open for possible renewal of negotiations.

LONG

814.00/1470 : Telegram

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

WASHINGTON, June 27, 1944—7 p. m.

367. The Department assumes that the "good offices" referred to in your telegram no. 402, June 25, 12 noon, relate exclusively to the transmission of messages between the contending factions and do not involve the preparation and submission of formulas of settlement, et cetera.

Repeated to Mexico and other missions in Central America.

HULL

814.00/6–2844 : Telegram

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

GUATEMALA, June 28, 1944—7 p. m.
[Received June 29—2:10 a. m.]

434. No substantial change since my last report on political situation except nearly all stores closed since Monday; only semi-official

[4] Carlos Salazar.

Liberal Progresista has been published. Organizers of demonstration scheduled for tomorrow afternoon plan to carry flags of United Nations. In reply to communication from Foreign Office, I have stated that use of American flag not approved but this Embassy not in position to prevent it and Diplomatic Corps at meeting today agreed to make similar answers individually to the Government.

Government, believing large cash balance in Treasury may offer temptation to opposition, today issued decree paying in full so-called British debt amounting to over 6 million dollars and 1927 debt to IRCA [5] of almost 2 million dollars.

LONG

814.00/6–3044 : Telegram

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

GUATEMALA, June 30, 1944—7 p. m.
[Received July 1—12:20 a. m.]

450. Meeting of Diplomatic Corps held this afternoon to determine our position if confronted with request for mediation. Nuncio accompanied by Spanish and Brazilian Ministers [6] called at Foreign Office to ask latest developments and were informed by Foreign Minister that President has now decided to call National Assembly to receive his resignation and elect successor. He has requested 4 or 5 days grace to put personal affairs in order. Names of three leaders were submitted to him by opposition as possible interim successors which he rejected insisting on strong military officer who could maintain order. No request pending or in immediate prospect for action by Diplomatic Corps.

I have now learned that the Minister of Finance [7] took refuge in the Mexican Embassy and the Under Secretary in the Peruvian Legation.

LONG

814.00/7–444

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

[Extracts]

No. 1282 GUATEMALA, July 4, 1944.
[Received July 8.]

SIR: Continuing recent political reports from this Embassy, I have the honor to submit for the Department's information the following

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[5] International Railways of Central America.
[6] Col. Antonio Sanz Agero and Manuel César de Góes Monteiro, respectively.
[7] José González Campo.

chronological record of outstanding events since my last despatch, No. 1269 of June 30.[8]

The despatch referred to covered the situation up to the late afternoon of June 30. At about 10 a. m. the following morning news reached the Embassy that the President had resigned, turning over the power to a Military Junta and that Army officers and ranking members of the Government were filing into his office in the National Palace to say farewell. Shortly thereafter, the Government broadcasting station went on the air to read the manifesto from the Military Junta which was reported in my Telegram No. 458 of July 1.[8] The immediate reaction of the populace was one of restrained jubilation, cheering throngs parading the principal streets of the city. President Ubico left the Palace about noon and is understood to have proceeded first to his official residence, where he collected his personal effects, and since then has been living at his private residence on 14th Street. There are no indications at present that General Ubico intends to leave the country, although he was contemplating departing for the United States at first.

The Military Junta, composed of Generals Eduardo Villagrán Ariza, Buenaventura Pineda and Federico Ponce V., promptly took up the reins of Government and named a Cabinet composed of the following persons:

[Here follows a list of incoming Cabinet members and a brief summary of action taken by the Military Junta in the change of military leadership and the relaxation of economic regulation.]

From the foregoing it appears that the Military Junta, instead of acting as a passive stop-gap between the Ubico Administration and the installation of a constitutional President, intends to take positive action in the governmental field.

While I have had no contact as yet with members of the Junta or the new Cabinet, a private citizen called yesterday at the Embassy, claiming to be an unofficial emissary from the Junta. He stated that the Junta wished to assure us of its pro-democratic and pro-American sentiments, as well as its desire to cooperate with the Embassy. The visitor, whose *bona fides* were subsequently established to our satisfaction, also said that the Junta realized that we could not recognize it officially as the Government of Guatemala.

. . . . . .

On July 2 the Military Junta published a decree revoking Decree No. 3114 of June 22 suspending constitutional guarantees. The following day the Permanent Commission of the Legislature convoked an extraordinary session of the National Assembly to receive the resignations of the President and the three Presidential Designates, all

[8] Not printed.

of whom are reported to have declined to accept the provisional presidency. The decree also provided for the election of new Presidential Designates.

In accordance with this decree, Congress assembled July 3 at 5 p. m. Invitations were telephoned to members of the Diplomatic Corps by the Foreign Office, and were spoken of as "optional" invitations. I naturally did not attend the opening session and I understand that most of my colleagues in the Diplomatic Corps also abstained. The stormy session of Congress was summarized in my Telegram No. 468 of July 4.[9]

I am transmitting to the Department as Enclosure No. 1 a memorandum of a conversation [9] held this morning with a group of Guatemalan citizens purporting to speak for the general public.

The constant stream of callers suggests that the situation is again pretty tense and the Nuncio is expected to call a meeting of the Diplomatic Corps to consider some of the problems.

Respectfully yours, BOAZ LONG

814.00/7–744 : Telegram

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

WASHINGTON, July 7, 1944—5 p. m.

392. The following circular telegram has been sent to the Missions in the other American Republics except Argentina as a result of your telephone conversation with Mr. Cabot.[10]

"The Embassy in Guatemala City has been officially informed of the election of General Federico Ponce as Provisional President of Guatemala. In as much as this change of administration has been carried out without violence and appears to be accepted in Guatemala as in legal form, the Department is instructing our Ambassador to continue normal diplomatic relations with the Guatemalan Government. The Department believes that in doing so it is acting in accordance with the precedent established in the similar case which recently arose in El Salvador in which it was eventually the unanimous view of the American Republics that no consultation was required under resolution no. 22 of the Committee of Political Defense." [11]

You are authorized to continue normal diplomatic relations with the Guatemalan Government.[12]

HULL

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[9] Not printed.

[10] John M. Cabot, Chief, Division of Caribbean and Central American Affairs.

[11] For text of Resolution XXII, see Emergency Advisory Committee for Political Defense, *Second Annual Report*, July 15, 1943–October 15, 1944 (Montevideo, 1944), p. 79.

[12] On July 8 Ambassador Long officially informed President Ponce and Foreign Minister Salazar of U.S. continuance of relations with the Guatemalan Government.

814.00/7–1444

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

[Extracts]

No. 1308 GUATEMALA, July 14, 1944.
[Received July 19.]

SIR: I have the honor to refer to my despatch no. 1282 of July 4, 1944, giving a chronological record of the principal political developments since June 30. No further chronological reports have been submitted since that time due to the relative tranquility which has prevailed, the principal political developments having been reported in separate despatches and telegrams.

For convenient reference I list below the principal steps in the restitution of constitutional government in Guatemala:

July 4. On this date Congress accepted the resignation of the former Delegates and elected new Presidential Designates. In a separate legislative decree the resignation of President Ubico was accepted and General Federico Ponce V., as newly elected First Designate, was declared Provisional President. General Ponce proceeded at once to take the oath of office before Congress. These steps were reported in my telegrams no. 471 of July 4, no. 474 of July 5, 1:00 p. m. [*a. m.*], and no. 481 of July 7, 2 p. m.[13] In addition, despatch no. 1287 of July 7,[14] transmitted to the Department the texts of the legislative decrees in question.

July 7. I received a note from the Minister for Foreign Affairs dated July 5,[14] officially informing the Embassy of the installation of General Ponce as Provisional President and of the disappearance of the interregnum Military Junta. This note was reported to the Department in my telegram no. 480 of July 7, 11:00 a. m. and the text of the note was transmitted with my despatch no. 1286 of July 7.[13]

July 8. In accordance with the authorization contained in the Department's telegram No. 392 July 7, 5:00 p. m. I addressed a communication to Dr. Salazar[15] acknowledging his communications of July 1 and July 5[16] and informed him that I had been authorized to continue relations with the Guatemalan Government. This was reported in my telegram no. 486 of July 8, 5 p. m.[14] and the text of my note was forwarded with despatch no. 1286 of July 7.

In view of the undoubted importance to the Provisional Government of our decision to continue relations with it, and the effect which it would have on public opinion in strengthening its support of the new régime, I called on General Ponce, accompanied by the principal

[13] None printed.
[14] Not printed.
[15] Note delivered July 8, not printed.
[16] Neither printed.

members of my staff, and in his presence delivered the note in question to the Minister for Foreign Affairs. General Ponce made appropriate remarks of appreciation for our action and expressed his intention to cooperate in every way possible in the prosecution of the war effort. One unusual feature of this informal ceremony, which would have been inconceivable under the previous administration, was the presence in the Presidential office of a large group of newspaper reporters and photographers. The ceremony was given considerable publicity in local newspapers the following day.

During the period of approximately ten days which has elapsed since the inauguration of General Ponce in the Provisional Presidency, public support and confidence in his administration has increased perceptibly. As previously reported to the Department, there was some tendency, particularly among members of the legal profession, to question the constitutionality of his designation and accession to office. Apparently more sober judgment prevailed, however, and I am not aware of any disposition on the part of the public to question the legality of the Provisional Government. It is realized by the public that any effort to remove him from office would have resulted in serious internal strife and might have led to chaotic conditions.

. . . . . .

The new administration has already given indications of a desire to cooperate closely with the United States. The Department has been informed, in a separate communication, of its expressed intention to ratify the decrees expropriating coffee properties which were adopted during the last days of the previous administration.[19] The Department was informed in my telegram no. 503, July 13, 6:00 p. m.,[20] of the intention of the new government to negotiate an agreement for a pedagogical mission from the Inter-American Educational Foundation, including a committment on its part to contribute the sum of $50,000 over a three-year period. The Embassy has also been informed that President Ponce is favorably disposed toward renewed mahogany extraction in the Petén [21] if requested by us for our war requirements.

In my personal contacts with General Ponce, I have found him eager to familiarize himself with problems pending between the two governments and anxious to cooperate with us in every way. The President has naturally been besieged by the public and is heavily burdened by affairs of government. I have, nevertheless, found him very approachable and, on the basis of the brief experience we have had with the new government, I incline to be optimistic regarding the nature of our relations during the Provisional Presidency of General Ponce, if public order is preserved.

[19] For correspondence on this subject, see pp. 1153 ff.
[20] Not printed.
[21] Department in northern Guatemala.

The most serious cloud on the horizon is the rising cost of living which has already resulted in threatened strikes on the properties of the United Fruit Company and in the International Railways of Central America. (See despatch No. 1307, July 14, 1944 [22]).

As previously reported to the Department, the former regulations restricting the slaughtering and marketing of meat have been cancelled by this Government and apparently an increase in the cost of meat to the consuming public has resulted. This has accentuated the rise in the cost of living which has been taking place over a considerable period of time and it is feared that public dissatisfaction may result in demands for increased wages and salaries. The Provisional Government seems to be alive to the situation and is endeavoring to take steps to prevent inflation.

The period of transition from the iron-clad rule of General Ubico to the relatively liberal administration under General Ponce, has taken place with remarkably little disorder. The machinery of government is continuing to function smoothly and the outward life of the country has apparently settled back to normal. The newspapers are enjoying their first taste of freedom in many years. With minor exceptions, they have not yet displayed a tendency to abuse their new liberties. Miscellaneous new political groups and parties are forming almost daily, but they have not yet settled into a cohesive pattern. It is anticipated that the next five months will see intensified political activities and considerable state of political ferment. If the Provisional Administration continues its present liberal policies accompanied by tolerance of popular political activities, there are grounds to hope that the electoral period may be free of serious disorders. While it is obviously impossible to make predictions, it may at least be stated that developments during the first ten days of the new Government augur well for the future.

Respectfully yours, BOAZ LONG

814.00/9–2644

The Acting Director of the Office of American Republic Affairs (Armour) to the Ambassador in Guatemala (Long)

WASHINGTON, October 3, 1944.

DEAR BOAZ: I have received your very interesting letter of September 26, 1944 [23] with regard to the political situation in Guatemala. I do not believe that we could tell the provisional régime that we would

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[22] Not printed.

[23] Not printed; in this letter Ambassador Long reported certain indications of an effort on the part of the Ponce administration to perpetuate itself in office. He suggested the possible value of a discreet word on the subject as an encouragement to an election in December as originally scheduled. (814.00/9–2644)

refuse to recognize it should it continue itself in office. We would be without any basis for such action since the abrogation of the 1923 treaty;[24] and it would constitute, I feel, intervention of the most direct sort. I furthermore fear that such a warning might be ineffective; and in any case, we could hardly follow it up with effective action should the admonition be ignored.

On the other hand, a number of us in the Department are deeply concerned at political developments in Guatemala and elsewhere in Latin America. This problem of support for democratic processes is not an easy one and was discussed at some length in the staff meeting this morning. The idea was advanced that we might have President Roosevelt or the Secretary include in an early address a statement more or less along the following lines: "We wish to cultivate friendly relations with every government in the world and do not feel ourselves entitled to dictate to any country what form of government best suits its national aspirations. We nevertheless must naturally feel a greater affinity, a deeper sympathy and a warmer friendship for governments which effectively represent the practical application of democratic processes."

This would take quite some drafting in order to fit it into a speech on high policy without hurting the sensibilities of countries outside the hemisphere. It might also present certain problems within the hemisphere. I nevertheless feel that a statement along the above lines if made by the President or the Secretary would represent the feeling of this Government and of the American people. Another possibility is an instruction to our missions in the other American Republics in the above sense. Whatever the mode of communication, you may take it that the above statement represents the thinking of the Department; and you are authorized so to state in your private conversations.

Very sincerely yours, NORMAN ARMOUR

814.00/10–1744

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

[Extracts]

No. 1643 GUATEMALA, October 17, 1944.
[Received October 23.]

SIR: In continuation of my telegram no. 685 of October 16, 6:00 p. m.,[25] announcing the termination of the elections held on Octo-

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[24] Treaty of peace and amity between the Central American Republics, signed February 7, 1923, *Conference on Central American Affairs, Washington, December 4, 1922–February 7, 1923* (Washington, Government Printing Office, 1923), p. 287. For information concerning abrogation and modification of this treaty, see Green H. Hackworth, *Digest of International Law*, vol. I, pp. 190–192.

[25] Not printed.

ber 13, 14 and 15 to fill vacant seats in the Legislative Assembly, I have the honor to append hereto a tabulation of the voting in the different districts where elections were held.

As freely predicted, the candidates of the Liberal Party won by a handsome, not to say fantastic, margin, garnering 48,530 votes out of a total of 44,571. . . .

. . . . . .

That all is not tranquil within the Government itself is evident from the resignation, after a political row with Ponce, of Domingo Solares, the Second Designate to the Presidency. Dr. Luis Gaitan, Secretary of Education, resigned yesterday, on grounds of health.

While the Embassy does not on the basis of present evidence, look for any immediate wide-spread violence, nonetheless the atmosphere is tense.

After the foregoing had been typed, one of the presidential candidates reported that he was reliably informed that a revolution would definitely take place within the next two or three days. He stated that the garrisons at Escuintla and several other points outlying were ready to turn over their arms to a revolutionary movement. He would not, or could not, state who would lead such a movement, but assumedly he would have close connections with the Arévalo element,[26] which is the most active and vocal.

The Department will be informed by telegraph of any positive developments.

Respectfully yours, WM. C. AFFELD, JR.

814.00/10–2344 : Telegram

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

GUATEMALA, October 23, 1944—5 p. m.
[Received October 24—1 : 17 a. m.]

711. I have just received the following communication dated October 22 from the Secretary for Foreign Affairs[27] appointed by the Revolutionary Junta:

"I have the honor to inform Your Honor that, as a result of the triumph of the revolutionary liberating movement, begun in the early hours of the 20th instant with the general good will of the people of Guatemala, a Revolutionary Junta, composed of Major Francisco Javier Arana, Captain Jacobo Arbenz and Don Jorge Toriello, has taken possession of the government of the Republic.

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[26] Juan José Arévalo, Guatemalan Presidential candidate. The Chargé is here referring to Arévalo's student and possibly leftist support as described in Ambassador Long's despatch 1627 of October 13, 1944, not printed (814.00/10–1344).

[27] Enrique Muñoz Meany.

I take pleasure of informing Your Honor that order and tranquillity have been reestablished throughout the country: that the liberating movement, as well as the installation of the Revolutionary Junta and the people who compose it, are absolutely accepted and have received already the unreserved adherence of civil and military authorities. The Government Junta is in a position to guarantee order in the country and the exercise of normal activities by the citizens.

It is a pleasure to state to Your Honor that the Revolutionary Junta maintains intact, and is willing to fulfill in their entirety all the international obligations of the Republic, especially those which associate it with the war effort of the United Nations, a cause to which it strongly adheres, and it will continue to give all possible cooperation by this country to the common war effort.

By disposition of the Revolutionary Junta, the Cabinet of the Government has been established with the following persons." (Here insert names given in my telegram No. 702, October 22 [28] with the addition of Licenciado Rodrigo Robles Chinchilia, Secretary to the Presidency, and correcting title of Major Francisco Javier Arana to read "Delegate of the Junta in charge of the War Office".)

"I must add that, within as short a time as possible, the country will be placed on a basis of constitutionality."

Since this communication has just been received I shall not of course respond without instructions and I suspect that other Missions will wait until the promised constitutionality is restored before taking formal action.

AFFELD

814.00/10–2444 : Telegram

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

GUATEMALA, October 24, 1944—7 p. m.
[Received October 25—1 : 24 a. m.]

727. The Department may find useful a summary of my impressions of the political situation to date. The movement which overthrew Ponce was well planned and efficiently executed as has been the effort to restore public order and confidence. The behavior of the Junta and its volunteer police has been correct in regard to citizens' private property. Private property entered by forces of the Junta include the residence of ex-President Ubico, home and meat market of Alfred Denby,[29] the house of David Ordonez former chief of police and one or two others considered by the people and particularly by the Revolutionary Junta as enemies of the people. These properties were searched for arms and radio, but were not looted.

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[28] Not printed.

[29] Alfred E. Denby, American citizen, President and General Manager of Aerovias de Guatemala, S.A.

The Revolutionary Government as is issued today is made up of sound and responsible persons with emphasis on the younger elements. We have not had complete reports as to the extent of control exercised in the provinces although I believe they may generally be considered quiet. The members of the Court of Appeals have all resigned and I understood that many members of the legislative assembly have also resigned and many of those remaining are expected to. Mendizábal, the president of the assembly, is in the Chilean Embassy.

AFFELD

814.01/10–2444 : Circular telegram

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

WASHINGTON, October 24, 1944—5 p. m.

The Provisional Government of Guatemala has been replaced by a revoluntionary junta. The Provisional President of El Salvador has also been ousted [30] and replaced by Colonel Osmín Aguirre, former Chief of Police.

It is the Department's belief that in light of circumstances surrounding these two overturns, the consultative procedure envisaged by Resolution 22 of the Emergency Committee on Political Defense at Montevideo is applicable and recognition will not be extended to either Government until an exchange of information has taken place between this Government and that of the other American Republics.

You are requested to inform the Foreign Minister of the country to which you are accredited of the foregoing points. You should say that this Government will greatly appreciate any information which the Foreign Minister may be in a position to transmit to you in the name of his Government and also any views which he may wish to express regarding the advisability of recognizing the new régimes in Guatemala and El Salvador. You should add that this Government will be pleased to communicate to his Government all information which may be available to it as soon as it has been possible to collect such information.

STETTINIUS

814.00/10–2444 : Telegram

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

GUATEMALA, October 24, 1944—8 p. m.
[Received October 25—1:16 a. m.]

728. Continuation of my telegram 727, October 24, 7 p. m.: A number of Chiefs of Mission including Chile, Colombia and Great Britain

[30] For correspondence on the resignation of Gen. Andrés I. Menéndez of El Salvador, see pp. 1087 ff.

have expressed frank admiration for the way the whole situation has been handled and I know that several colleagues are recommending to their governments favorable consideration for early recognition. However, until it becomes clear whether the transition can be effected under the present constitution or whether the new organization will have to adopt a new basic law, it will be difficult to say what the precise policy toward recognition should be. The most indicative statement I can make with regard to the general situation is that the present basis of government enjoys wide sympathy and popular support. In this respect it may well differ from the situation in El Salvador where I understand a military coup has taken place.

AFFELD

814.001 Ubico, Jorge/10–2544 : Telegram

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

GUATEMALA, October 25, 1944—1 p. m.
[Received 4:56 p. m.]

731. Yesterday afternoon I asked Mr. Cabot by telephone to see what could be done toward admitting ex-President Ubico and wife to the United States promptly. They left yesterday for Mexico where I understand hostile demonstrations took place against ex-President Ponce and members of his suite. Assumedly General Ubico might be subject of similar demonstrations and since his original intention was to proceed to the United States it would be appreciated if the Department could arrange for his early admission without documents. I believe that he had [*and*] his wife leave [*have?*] no documents other than safe conduct passport issued by the Junta. General Ubico went to Mexico on only available transportation under safe conduct obtained by the British and would otherwise have preferred to fly straight to New Orleans.

Repeated to Mexico.

AFFELD

814.01/10–2644 : Telegram

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

TEGUCIGALPA, October 26, 1944—noon.
[Received 7:07 p. m.]

322. Re Department's circular telegram October 24, 5 p. m.

[Here follows a paragraph referring to the revolutionary Government in El Salvador.]

The Foreign Minister states new Government in Guatemala in different category and apparently irregular. He showed me telegram from new Foreign Minister of Guatemala outlining situation and stating

steps would be taken "to make government constitutional" which Honduran Foreign Minister interprets as admission it is not now constitutional. It was also stated by Honduran Foreign Minister that Ponce presently in Mexico still claims to be President of Guatemala. Foreign Minister will supply additional information regarding Guatemala as quickly as available.

ERWIN

814.01/10–2644 : Telegram

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

GUATEMALA, October 26, 1944—11 p. m.
[Received October 27—3 : 30 p. m.]

744. I have made it a point during the past two days to talk to several members of the Diplomatic Corps and to discuss the present situation fully with the staff in a meeting this morning regarding the possibility of future recognition and consultation in connection therewith.

In considering the change of government, it seems to me there are three main points to be considered:

(*a*) Was the change legally accomplished;
(*b*) Is the succeeding government actually exercising control;
(*c*) Has it the support of the people.

The answer to (*a*) is rather obviously in the negative whereas the answers to points (*b*) and (*c*) are according to vastly predominant opinion [apparent omission]. Information received by the Embassy tends to clarify the question left unanswered in my 727, October 24, 7 p. m. as to the measure of control effected in the provinces. The broadcast referred to in my 738, October 26 [31] setting elections for November 3 to 5 would at least indicate that the Junta is confident of its support throughout the country.

The consensus among the staff, in which I concur, and among the members of the diplomatic corps with whom I have talked is that it would be unfortunate to consider as a single problem recognition of the new government in Guatemala and El Salvador. I have talked with several travelers from Salvador, among them Gardner Ainsworth [32] en route to Washington, who feel that the two revolutions are poles apart ideologically with the Guatemalan Junta and its Cabinet as now composed representing the establishment of democratic ideals and procedure. There will obviously be German elements and others seeking to identify themselves with the movement

[31] Not printed.
[32] Horatio Gardner Ainsworth, Third Secretary and Vice Consul at San Salvador.

as it progresses in an effort to save their confiscated property but they do not represent any important influence on the Junta at this time.

As to the future, any failure by the Junta to carry out the promise of free elections might lead to trouble and it might be desirable to await the results of this acid test before establishing a recognition policy.

AFFELD

814.01/10–2744 : Telegram

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

LA PAZ, October 27, 1944—11 a. m.
[Received 10 : 18 p. m.]

1841. From McConaughy.[33] Reference Embassy's 1836 of October 26.[34] Bolivian position re consultative procedure concerning Guatemala and El Salvador.

Foreign Minister[35] informed me yesterday after he had seen the President[36] that Bolivian Government could not logically or conscientiously participate actively in consultative procedure where only domestic overturns were involved and that this policy was consonant with various statements issued by the Bolivian Junta and Provisional Government during the period of its non-recognition.[37] Andrade said that it was the firm belief of the Bolivian Government that in the absence of conclusive evidence of subversive outside influence in Latin American revolutions the presumption should be that such revolutions were of purely domestic origin and that consultative procedure in such cases would constitute unwarranted meddling in the affairs of the American Republic concerned. The Bolivian Government further believes that investigation of the ideology or the governing motives of revolutions originating within an American Republic by other American Republics is inappropriate and unjustified. The Bolivian Government maintains that the people of the country undergoing the overturn are in a better position to pass on these matters and approve a government than are the governments of other American Republics.

The Foreign Minister added, however, that the Bolivian Government has no present intention of taking action contrary to that agreed upon by the other American Republics after consultative procedure. The Bolivian Government merely intends to take a passive attitude particularly in view of its lack of representation in Guatemala and

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[33] Walter P. McConaughy, Commercial Attaché at La Paz.
[34] Not printed.
[35] Victor Andrade.
[36] Gualberto Villarroel.
[37] For correspondence on the delayed recognition of a revolutionary government in Bolivia in 1944, see pp. 427 ff.

El Salvador. It will neither participate in the consultative procedure nor recognize the new regimes in those countries in advance of the decision of the other American Republics. Andrade thought this decision would be satisfactory to the other American Republics since it implies that Bolivia will not take action contrary to their joint recommendations. The Foreign Minister said that the decision not to participate in any consultations was reinforced by the fact that Guatemala had been one of the sharpest critics of the Bolivian revolutionary Junta. The Bolivians wanted to repay this disservice with kindness and did not want it to appear that Bolivia was animated by any apparent motives of revenge [which] could be inferred from participation by Bolivia in consultations which might result unfavorably for the Guatemalan regime. Andrade said the Bolivian Government was interested in knowing whether the United States Government in recommending consultation was guided by information indicating that the Guatemalan and Salvadorean regimes were more questionable than the revolutionary Ecuadorean regime which recently was recognized expeditiously.[38] [McConaughy.]

McLaughlin

814.01/10–3144 : Circular telegram

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

Washington, October 31, 1944—9 p. m.

You are requested to convey the following comments to the Foreign Minister of the country to which you are accredited. You should also express appropriate appreciation for any comments which he may have made to you regarding the question of recognizing the new régimes in Guatemala and El Salvador.

The revolutionary Junta in Guatemala appears to be accepted as the *de facto* government of Guatemala without active resistance on the part of the Guatemalan people and to be in full control of the administrative machinery of the state. It has declared its intention in a formal note to our Embassy of recognizing Guatemala's international commitments and of regularizing its status under the constitution as soon as possible. It has announced that elections will be held for a new National Assembly on November 3, 4 and 5. It appears able to carry out its undertakings. The Department has received no evidence of the Axis influence against which Montevideo Resolution XXII was directed in the forcible overturn of the previous Government.

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[38] For correspondence on recognition of the revolutionary regime in Ecuador, see pp. 1036 ff.

From the information which other Governments have generously cooperated in furnishing this Government, no reason to withhold recognition has been indicated. The Governments which have definitely expressed themselves regarding the question of recognition appear to be unanimously in favor of this step and several have urged action at an early date.

In view of the foregoing you are requested to ask the Foreign Minister whether his Government would be disposed to recognize the revolutionary Junta as the Government of Guatemala. In the event that the answer is in the affirmative, you should also inquire whether the Government to which you are accredited will take the step simultaneously with the Government of the United States and whether a date immediately subsequent to the above mentioned Guatemalan elections would be satisfactory for extending recognition. You will, of course, be authorized to inform the Foreign Minister of the exact time proposed by this Government for recognition in the light of its consultations with the Governments of the other American Republics.

[Here follow two paragraphs concerning the recognition of the new regime in El Salvador, printed on page 1106.]

STETTINIUS

814.00/10–3144 : Telegram

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

GUATEMALA, October 31, 1944—6 p. m.
[Received 9 : 54 p. m.]

758. Refer my 756, October 31, noon.[39] The following plans have been obtained through a person of unquestioned dependability directly from the Junta. The plans were made before the revolution and are to be carried out in this manner: After the usual checking of votes following the Assembly election of November 3 to 5 the Assembly will be called and Supreme Court judges will be chosen by November 20. It would appear that the constitution will be retained with possible elimination of certain Ubico amendments. Presidential elections are to be held as scheduled December 17 to 19 and after the votes have been checked the new president will take office probably during the first week of January. The triumvirate will remain until that time, when Arbenz and Toriello intend to return to private life and Arana will remain an officer in the Army.

Order prevails and the civilian population appears to be solidly supporting the temporary government.

LONG

[39] Not printed.

814.01/11–144 : Telegram

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

TEGUCIGALPA, November 1, 1944—7 p. m.
[Received November 2—10 : 54 a. m.]

333. Department's circular October 31, 9 p. m. Discussed matter fully with Foreign Minister.[40] Without making definite commitment as to his government's ultimate attitude, he emphasized that Honduras is in a different position from any other country respecting Guatemalan recognition. He has information indicating that Honduran revolutionaries in San Salvador have largely moved to Guatemala as a base of operations following most recent change of government in San Salvador. Foreign Minister understands further that other elements affiliated with anti-Carías movement are being invited to Guatemala for purposes hostile to Carías[41] government. Under circumstances stated, it is the Foreign Minister's belief that President Carías will require as a condition to Guatemalan recognition with respect to international commitments that it include and emphasize as part of such commitments that Guatemalan Government will not harbor Honduran revolutionaries or give any assistance in furtherance of their plottings against President Carías. Foreign Minister will have conference this evening with President and is to advise me tomorrow of outcome. Honduran Government feels such assurances on the part of present Guatemalan regime would be worthless unless underwritten by United States or unless such assurances given jointly to Honduras and United States. It feels the more strongly on this point because the candidate most likely to succeed or to be beneficiary of the hastily called elections in Guatemala has privately stated his intention to wage active campaign even to extent of war to remove Carías.

ERWIN

814.01/11–244 : Telegram

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

TEGUCIGALPA, November 2, 1944—3 p. m.
[Received 9 : 58 p. m.]

335. My telegram 333 of November 1, 7 p. m. The Government of Honduras is agreeable to the recognition of the new Guatemalan regime immediately after the elections of November 3 and 5, provided the regime agrees to comply with all obligations contained in the treaties, conventions and other agreements. Among these is the general treaty of peace and friendship signed in Washington on February

[40] Silverio Laínez.
[41] Tiburcio Carías Andino, President of Honduras.

7, 1923, and still in effect as between Guatemala, Honduras and Nicaragua. The Government of Honduras in agreeing to the recognition trusts that Guatemala will comply fully and specifically with the terms of that treaty, so that the neutrality of Honduras shall be respected and its territory not violated under any conditions. Please see article 14 of treaty.

Above in memorandum from Foreign Minister this afternoon.

Repeated to Guatemala.

ERWIN

814.01/11–344: Telegram

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

LA PAZ, November 3, 1944—3 p. m.

[Received 7:30 p. m.]

1864. ReDept's circular October 31, 9 p. m. Bolivia is an adherent to the Estrada doctrine [42] and because of its experience during nonrecognition its policy is to immediately recognize a government established by revolution, provided it exercises an effective control.

Chacón [43] informed me that Bolivia intends to recognize the new Government of Guatemala before the middle of next week. He mentioned Wednesday. He assumes that that will give the United States and other American Republics ample opportunity to exchange views and arrive at their decision which he anticipates will be that of recognition. I asked him if he cared to time his recognition with ours in the event we recognize. He replied that would be inconsistent with their position and with the fact that they do not subscribe to the practice of exchanging views on such matters. He added, however, that if we desired he would time his recognition 24 or 48 hours in advance of the date that we might set in the event the American Republics decided to recognize Guatemala simultaneously. He said that if there had been some indication of Nazi influence in the recent Guatemalan revolution that while he would not consult with the other republics on recognition, Bolivia would study the situation with unusual care from a viewpoint of hemisphere solidarity and would probably have sent a special representative to Guatemala to make a thorough investigation.

With respect to El Salvador he states that the situation is not sufficiently clarified to determine if there is a *de facto* government capable

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[42] Doctrine concerning governmental recognition set forth by Mexican Minister for Foreign Affairs Genaro Estrada, in 1930; see *American Journal of International Law*, vol. xxv (1931), pp. 719–723; see also Instituto Americano de Derecho y Legislación Comparada, *La Doctrina Estrada* (Mexico, 1930).

[43] Gustavo Chacón, Minister of Economy, was Minister for Foreign Affairs *ad interim* at this time.

of carrying on. If and when such a government clearly emerges I believe that his position will be identical with that assumed as to Guatemala.

McLAUGHLIN

814.00/10–3144 : Telegram

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

WASHINGTON, November 4, 1944—7 p. m.

656. Most of the other American Republics have replied to the Department's circular telegram of October 31, 9 p. m. indicating willingness to extend early recognition to the present régime in Guatemala. They have consequently been informed that the United States will extend recognition at 5 p. m. Guatemala time on Tuesday, November 7. At that time please deliver to the Government of Guatemala an appropriate acknowledgment of its note of October 22, mentioned in your telegram no. 711 of October 23, 5 p. m., expressing the desire of the Government of the United States to maintain with the present Guatemalan Administration, the warm friendship and the cordial cooperation which have so happily characterized our relations with Guatemala in the past.

STETTINIUS

814.01/11–744 : Telegram

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

GUATEMALA, November 7, 1944—8 p. m.
[Received 10:42 p. m.]

772. This afternoon at 5 o'clock I presented my note to Foreign Minister in recognition of the present government.

The Mexican Ambassador [44] was the first to extend recognition having made arrangements last night for the presentation of his note at 8 o'clock this morning, a ceremony which was accompanied by brass band and a review of the Escuela Politécnica cadets; several other Chiefs of Mission presented notes during the day with the remainder except Peru but including Great Britain, Chile, Brazil and Colombia—delivering their notes at 5 o'clock.

After the usual exchange of pleasantries I alluded to the Peruvian affair [45] emphasizing that the allusion was quite apart from the subject

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[44] Romeo Ortega.

[45] Reference is to the disappearance of José Linares, late Chief of Investigations in Guatemala, from the Peruvian Legation in Guatemala City.

of recognition or asylum and that we are concerned only with the possible violation of extra-territoriality. The Foreign Minister assured me that the Diplomatic Corps had heard only one side of the story and that he would opportunely inform me fully in the matter.

LONG

814.00/12–944 : Telegram

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

GUATEMALA, December 9, 1944.
[Received December 10—12 : 25 p. m.]

841. The Guatemalan Government has issued a decree convoking Presidential elections December 17, 18 and 19, a further decree provides for election of a Vice President and establishes qualifications for candidates for President and Vice President with the provision that no member of the Junta or their relatives or Cabinet members may be elected to either position. Also the National Assembly has approved the convoking of a Constitutional Assembly.

LONG

814.00/12–2044 : Telegram

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

GUATEMALA, December 20, 1944.
[Received December 20—4 : 10 p. m.]

865. Unofficial election figures through last night indicate Arévalo elected President by wide margin of 261,432 against combined vote of about 40,000 for other candidates of which Recinos obtained over 21,000.

LONG

AGREEMENT BETWEEN THE UNITED STATES AND GUATEMALA RENEWING THE AGREEMENT OF JULY 17, 1943, RESPECTING THE DETAIL OF A MILITARY OFFICER TO SERVE AS DIRECTOR OF THE POLYTECHNIC SCHOOL OF GUATEMALA

[For text of agreement, effected by exchange of notes signed at Washington January 5 and 17, 1944, effective July 17, 1944, see Department of State Executive Agreement Series No. 397, or 58 Stat. (pt. 2) 1223. For text of the original agreement, signed at Washington July 17, 1943, see Department of State Executive Agreement Series No. 329, or 57 Stat. (pt. 2) 1011.]

INTEREST OF THE UNITED STATES IN THE DISPOSITION OF AXIS PROPERTIES AND THE PURCHASE OF COFFEE FROM PROCLAIMED LIST PLANTATIONS IN GUATEMALA [46]

740.00112A European War, 1939/36499a

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

No. 416 WASHINGTON, February 28, 1944.

SIR: Reference is made to the Department's airmail instruction no. 1550 of February 17, 1943.[47] The Department feels it desirable to determine at as early a date as may be practicable the policy to be pursued during the present crop year with respect to the admission into the United States under the Guatemalan quota of coffee [48] coming from Guatemalan plantations now on the Proclaimed List. As you will recall, our acceptance of enemy coffee in the past crop year, both within the quota and for purchase by the Army,[49] was predicated upon the expressed intention of the Guatemalan Government to institute effective nationalization measures with respect to the plantations on which it was produced.

From the information now available to the Department, it appears that there will be sufficient free coffee available to fill the entire Guatemalan quota for the present crop year. Under these circumstances the Department and the other interested agencies of this Government believe that during this crop year there is no reason to make on behalf of enemy coffee any exception to Proclaimed List sanctions, such as those which have been made in the past two crop years. Your comments in this connection are requested.

The Department is not aware at the present time of any immediate probability that quotas will be raised or that the Army will be interested in purchasing Guatemalan non-quota Proclaimed List coffee as during the past two crop years. It is, however, possible that one or both of these contingencies may arise. For your confidential information the Department and the other pertinent agencies of this Government would not be disposed to permit such traffic in Proclaimed List coffee unless the Guatemalan authorities had taken measures specifically implementing the intention which they have already expressed of nationalizing enemy plantations. By this the Department does not mean to imply that no such traffic would be authorized until all enemy plantations had been nationalized, but rather that an effective start would have to be made in this process before authorization

[46] Continued from *Foreign Relations*, 1943, vol. VI, pp. 346–361.
[47] *Ibid.*, p. 346.
[48] For correspondence concerning coffee quotas in the American Republics, see pp. 134 ff.
[49] See *Foreign Relations*, 1943, vol. VI, pp. 354–361.

was granted. The Department does not wish you spontaneously so to inform the Guatemalan authorities, but you are authorized to intimate the Department's views to them, should a favorable opportunity arise, in any discussion which you may have with them regarding coffee matters.

You are requested to inform the Department if any important developments occur in this connection.

Very truly yours, For the Secretary of State:
A. A. BERLE, JR.

740.00112A European War, 1939/36567a : Telegram

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

WASHINGTON, April 14, 1944—1 p. m.

214. Department has been informed that War Department desires to purchase entire block of Proclaimed List Guatemalan green bean coffee for use of Army. Army is anxious to make early procurement of coffee in order that shipment can be effected without delay to a foreign theater. For your confidential information it is possible that the coffee quotas will be increased 20 per cent in the near future.[51]

Please report results of any discussions held with the Guatemalan authorities as suggested by the Department's instruction no. 416 of February 28 and whether you believe proposed purchase by Army can be used as a lever to induce Guatemalan Government to take some effective action toward nationalization of plantations owned by most objectionable Axis spearhead firms. It should be emphasized that this Government does not wish to press for nationalization of all Proclaimed List firms but only those which constitute the spearheads of Axis influence in Guatemala such as the Nottebohm properties.

Your comments are also requested on the most desirable procedure to be followed in the event that the War Department negotiates for the purchase of the Proclaimed List coffee.

HULL

740.00112A E.W. 1939/36572

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

No. 1037 GUATEMALA, April 18, 1944.
[Received April 24.]

SIR: I have the honor to refer to the Department's Instruction No. 416 of February 28, 1944, and Telegram No. 214 of April 14, 1 p. m., regarding disposal of coffee produced on Proclaimed List *fincas*[52] in Guatemala.

[51] For the Resolution of the Inter-American Coffee Board, dated April 20, authorizing the increase of quotas, see p. 142.

[52] Plantations.

It will be recalled that during the course of negotiations for the transfer to the Guatemalan Government of the CAPCO properties,[53] it was stated by the Guatemalan Government that it intended to proceed promptly with expropriation, under a plan whereby the German owners would have to seek compensation from their own Government. As the Department has been informed in previous reports from this Embassy, the present policy of the Guatemalan Government toward expropriation of enemy owned properties, as expressed informally to members of the Embassy by the President [54] and other officials of the Guatemalan Government, is to await the termination of the war before inaugurating any general expropriation policy.

No clear explanation of the reason for the change in this policy has been given by the Guatemalan Government nor has the Embassy been in a position to press for an explanation. It appears obvious, however, that the income which the Guatemalan Government is obtaining from the special emergency or war tax of $5 per quintal on coffee and varying amounts on other products produced on intervened *fincas*, constitutes the logical explanation for the decision to defer expropriation until after the war.

Under existing Guatemalan legislation the removal of property from the Proclaimed List does away with any form of intervention or control by the Guatemalan authorities and consequently deprives the Guatemalan Government of the revenues derived from the special emergency taxation. The only method by which the Government might continue to collect this revenue would be for the Government itself to continue ownership and operation of the properties in question. While the Government has taken over and operates the properties obtained from CAPCO, there has been no indication that it is prepared to assume ownership and operation of all German-owned properties.

Support to this explanation of the present policy of the Guatemalan Government is found in the action of the Government in expropriating other German-owned properties which did not produce exportable products subject to the emergency taxation. The principal such property is the Verapaz Railway which, as reported in the Embassy's despatch No. 546 of October 25, 1943,[55] was expropriated by the Government. In addition, expropriation proceedings are still under way with regard to the wheat and rice mills referred to in the Embassy's despatch No. 714 of December 31, 1943.[55] It would appear

[53] The Central American Plantations Corporation properties were deleted from the Proclaimed List in 1942 when they were acquired by the Guatemalan Government pursuant to an informal agreement with the United States signed in Washington December 11, 1942, not printed (740.00113 European War 1939–Central American Plantations Corporation/1)

[54] Jorge Ubico.

[55] Not printed.

that the Government does not hesitate to expropriate non-revenue producing German-owned properties.

As the Department is aware, the present system of intervention by the Banco Central has the obvious advantage to us that it enables us to follow closely financial operations concerning intervened properties. The Embassy continues to receive from the Banco Central statistical information regarding the profits accruing to the German owners and deposited in blocked accounts at the Bank, and has the assurance of the Guatemalan Government that such reports will be furnished at any time they may be required. Furthermore, the retention on the Proclaimed List of such properties gives us absolute control over transfer of ownership. We have concurred in the sale of a few intervened properties and, in agreement with the Guatemalan authorities, have removed them from the Proclaimed List. In a number of other instances, however, where suspicious circumstances surrounded the transaction or doubts were entertained with regard to the sympathies of the prospective purchaser, we have taken the position that we would not remove the properties from the Proclaimed List in the event of sale. Obviously, if the Guatemalan Government should inaugurate a general expropriation program, it would be difficult for us to continue to enforce our control in the matter of ownership.

The foregoing observations suggest that the Department might wish to review its policy regarding the desirability at this time of endeavoring to induce the Guatemalan Government to inaugurate a general expropriation program.

With regard to the proposed purchase by the War Department of coffee produced on Proclaimed List *fincas*, it appears obvious to the Embassy that it could not in any event, even should we consider such a course desirable, be used as a lever to induce expropriation or nationalization of Proclaimed List properties as suggested in the Department's telegram under reference. If the War Department were disposed to cooperate by refusing to purchase coffee from Proclaimed List *fincas*, such a policy might force this Government to proceed to expropriation. It does not appear to the Embassy, however, that a contrary policy on the part of the War Department—namely, an indication of a desire to purchase the coffee—would have any influence in bringing the Guatemalan Government to adopt expropriation which, if generally applied, would deprive it of revenue amounting to approximately one million dollars per annum.

As has been recommended in connection with negotiations by the War Department for the purchase of Proclaimed List coffee from the two previous crops, it is desired to renew the recommendation that the War Department be licensed by the Treasury Department to purchase the coffee direct and that it send a qualified representative from

the staff of the Quarter Master Corps to Guatemala for this purpose. The Embassy could place such a representative in contact with the proper authorities of the Guatemalan Government. Any technical advice or assistance which might be required could undoubtedly be furnished either by the Guatemalan Government itself or by a reputable American coffee firm, such as Grace & Company, or Agencias Unidas. It is recommended that no private coffee merchant be authorized by the War Department to purchase coffee on its behalf. Guatemalan law requires such coffee to be sold at public auction to the highest bidder. If the War Department itself is the only entity licensed to purchase the coffee, it is believed that no difficulty would be encountered in arranging for sale of the coffee on a negotiated basis.

At the time of initiating negotiations for the sale of this coffee, we could inform the Guatemalan Government that we concurred in the transaction on the grounds that we were confident that the Government would continue the effective operation of its present intervention system and would continue to keep us fully informed of the details of its operation. If so instructed by the Department, we could also premise our approval on the grounds that we understand that the Guatemalan Government intended to proceed with expropriation of such properties upon the termination of present hostilities.

In conclusion, it is not apparent wherein we could induce the Guatemalan Government to give up part or all of its present revenues of approximately one million dollars per annum by a proposal to purchase Proclaimed List coffee, nor is it believed that it would be to our advantage to lose the present very effective control which we have over the ownership of such property.

In response to the last paragraph of the Department's telegram under reference, it is recommended that negotiations for the purchase of coffee be conducted solely by officials of the War Department to the exclusion of any private individual or commercial firms.

Respectfully yours, BOAZ LONG

740.00112A E. W. 1939/36572: Telegram

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

WASHINGTON, May 12, 1944—5 p. m.

268. The Army has stated that it will not purchase this year's Proclaimed List coffee crop in Guatemala unless such purchase is approved by the Department and interested agencies. Attitude of Department and interested agencies as stated in instruction no. 416 of February 28 is that approval will not be granted for purchase by the Army nor by private firms unless effective measures are taken

to implement Guatemalan Government's expressed intention to nationalize most objectionable Axis spearheads.

Embassy apparently misinterpreted Department's telegram no. 214 of April 14. Department's inquiry was whether the willingness of the Army to purchase this coffee coupled with the above mentioned attitude of this Government would induce the Guatemalans to take effective action along these lines.

With regard to Embassy's comments that a general expropriation policy is not desirable, it is not the Department's intention to urge such a general policy but rather to concentrate on most objectionable Axis spearheads. It is felt that effective action with regard to Nottebohm and similar properties would substantially accomplish the desired result.

Unless you perceive strong objection, Department proposes to inform Guatemalan Embassy here concerning this Government's attitude and suggests that you take similar action in Guatemala. Please reply by telegram whether you concur.

HULL

740.00112A European War, 1939/36610 : Airgram

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

GUATEMALA, May 16, 1944—5 p. m.
[Received May 18—1 p. m.]

A–240. Reference Department's telegram No. 268, May 12, 5 p. m. and previous correspondence regarding the disposal of coffee produced on Proclaimed List *fincas* in Guatemala.

I continue to hold the opinion expressed in my Despatch No. 1037, April 18, 1944, that for the reasons stated therein it is not desirable to urge on the Guatemalan Government immediate implementation of an expropriation program. While the Department differentiates between a general expropriation program and a limited one, involving only the most objectionable Axis spearheads such as Nottebohm, it should be borne in mind that the Nottebohm properties constitute a substantial proportion of the value of Proclaimed List coffee.[56]

While the political situation in Guatemala has not to my knowledge been affected by recent developments in El Salvador,[57] it has

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[56] According to a Division of World Trade Intelligence report of August 8, 1944 (740.00112A European War 1939/7–2844), the German-owned coffee properties, including the Central American Plantations Corporation properties already acquired by the Guatemalan Government, represented about one-third of the coffee plantations in Guatemala.

[57] Concerning the political situation in Guatemala, see pp. 1132 ff.; in El Salvador, pp. 1087 ff.

been suggested that the President might be extremely reluctant at this time to take any measures which might even remotely be open to charges of unconstitutionality, a factor which we understand loomed large in the Salvadoran situation.

It should also be recalled that the Guatemalan Constitution requires compensation for expropriation. While we would obviously not wish to see any German interests receive compensation for their properties, even though paid into blocked accounts, the Government might fear the effect on public opinion if it should defer compensation until after the war.

Nevertheless, in view of the Department's insistence in the matter, I am of course prepared to proceed with any desirable course to accomplish the end in view. I do not believe, however, that we should expose ourselves to any possible charge of using coersive methods by linking the Army's willingness or unwillingness to buy this coffee with our objectives regarding expropriation.

Assuming that there is no possibility that the Army will be compelled to reverse its position by developments in the coffee supply situation, I therefore recommend that we take no action for the time being. At such time as the Guatemalan Embassy in Washington approaches the Department, or Guatemalan officials take up the matter with the Embassy, I believe that we should state informally that in as much as there is an adequate supply from Guatemala and other countries of coffee owned by other than enemy interests, logically the enemy-owned coffee controlled by the Banco Central would be the last to be purchased by our Army. As time passes, pressure for the disposal of this coffee will naturally increase and we should have frequent opportunities to express our views, in the course of which it should become obvious to the Guatemalan Government that expropriation is the solution, even though it be only on a token basis for the time being. While such a course might be characterized as exercising "pressure tactics", it seems to me to be a less blunt and possibly more effective means of attaining our ends.

If such a policy is to be successful, it would of course require full support of our Army authorities in standing firm on their commitment to the Department, as well as the pursuit of an identical course in conversations between the Department and the Guatemalan Embassy and this Embassy and Guatemalan officials here.

In view of the modified procedure which I have taken the liberty of suggesting in this communication, I shall take no action in the matter until I receive further instructions from the Department.

LONG

599-037—67——74

740.00112A European War 1939/36607 : Airgram

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

WASHINGTON, May 20, 1944—12:40 p. m.

A–341. Several members of the Department were approached by Dr. López-Herrarte, Counselor of the Guatemalan Embassy, on May 16 and 17 prior to the receipt of your telegram no. 299 [*298?*] of May 16, 1944.[58] In response to his inquiries, Dr. López was informally apprised that this Government was not inclined to approve the purchase of this year's Proclaimed List coffee crop unless steps were taken by the Guatemalan Government for the nationalization of properties owned by the most objectionable Axis spearheads, specifically the Nottebohm properties and any others falling within this category.

Dr. López observed that in the negotiations concerning the previous year's crop the United States Government had not officially stated that it would not purchase another crop unless action along these lines was taken by the Guatemalan Government. In this connection it was pointed out to Dr. López that the note presented to the Guatemalan Government on April 7, 1943[59] stated that this Government was gratified to learn that the Guatemalan Government was actively considering a plan for the nationalization of properties owned by inimical persons and firms and added that we were confident that the proposed measures would solve all outstanding problems with respect to the importation into the United States of coffee produced on Proclaimed List plantations.

For your confidential information in the above-mentioned conversations Dr. López agreed that nationalization of properties owned by Axis spearhead firms and persons would be to the best interest of Guatemala.

The Department is awaiting receipt of the airgram[60] referred to in telegram no. 299 [*298?*].

HULL

740.00112A European War 1939/36610 : Airgram

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

WASHINGTON, May 22, 1944—5:55 p. m.

A–343. Reference your airgram no. 240 of May 16, 1944 and Department's recent airgram[61] with regard to its conversations with Dr.

[58] Not printed.

[59] Reference is presumably to a memorandum dated April 5, 1943, delivered by the Chargé in Guatemala to the Guatemalan Minister for Foreign Affairs on April 8, and answered in Guatemalan Foreign Office Note No. 5298 of April 15; neither printed.

[60] Airgram No. A–240, p. 1158. Apparently airgram A–341 was drafted before receipt of airgram A–240.

[61] Department's A–341, *supra*.

López-Herrarte, Counselor of Guatemalan Embassy, concerning Guatemalan Proclaimed List coffee.

Department agrees that the approach suggested in the antepenultimate paragraph of your airgram no. 240 of May 16, 1944 would be desirable in the absence of an expression of active interest in the matter by Guatemalan officials. However, Dr. López-Herrarte, has for some time been pressing the Department for a definite answer with regard to this Government's attitude toward purchase of the current year's Proclaimed List coffee crop. He has stated that the coffee is ready for shipment, that there is inadequate storage space for it in Guatemala, and that his Government is very anxious to be informed of this Government's position. In the circumstances the Department considered it advisable, in justice to the Guatemalans, to inform him in this regard.

Dr. López has apprised the Department that he cabled his Government advising it of the information received by him and has received a reply stating that the Guatemalan Government had approached the American Embassy at Guatemala and had been informed that you had no instructions in the matter. Dr. López is being informed that instructions are being sent to you in the matter and it is assumed that the interested Guatemalan officials will take the matter up with you. You are requested to inform the appropriate officials that this Government does not feel itself in a position to approve the purchase of Proclaimed List coffee by entities subject to its jurisdiction unless effective measures are taken to implement the Guatemalan Government's expressed intention to nationalize the properties owned by the most objectionable Axis spearheads. In discussing this matter the Embassy may wish to emphasize the following points:

(1) This Government is desirous of applying its Proclaimed List sanctions in such a manner as to impose a minimum of hardship on the economy of the other American republics. It has therefore in the past approved purchase of Guatemalan Proclaimed List coffee by United States firms and the United States Army in view of the expressed intention of the Guatemalan Government to nationalize the producing properties owned by inimical interests. It is felt however that continuance of the present arrangement results in a perpetuation of the enemy ownership of the properties and has the effect of bringing the Proclaimed List into disrepute.

(2) This attitude is in accord with the general policy followed by this Government with regard to all countries in which the question has arisen.

Your discussions with the Guatemalan Government in this regard should be facilitated by the fact that the desire of this Government that the influence of inimical persons over the economic life of countries of this hemisphere be removed through the nationalization of

enemy owned properties does not represent a new policy but is merely a reiteration of the views expressed by it on numerous occasions.

It is felt that this Government should merely communicate its attitude toward the purchase of coffee by persons subject to its jurisdiction and leave to the Guatemalan Government the question of the advisability of adopting further measures. The initiative in the formulation of a definitive program should be left to the Guatemalan Government. If the question is raised with you however, you are authorized to state that this Government does not take the position that all spearhead plantations must be nationalized before purchase of the coffee will be approved and that an effective start with regard to nationalization of the properties owned by Axis spearheads coupled with an assurance by the Guatemalan Government that it will proceed to completion of the program would afford sufficient basis for relaxation of the Proclaimed List sanctions in so far as this year's crop is concerned.

The British Embassy at Washington has informed the Department that the Ministry of Economic Warfare has expressed the opinion that a stand should be taken to prevent the Guatemalan Government from exploiting these properties for their own financial advantage without implementing their undertaking to nationalize such properties. It is understood that the Ministry of Economic Warfare is desirous of acting in concert with this Government in the denial of permits for the export of the products of Proclaimed and Statutory List properties.

With regard to your statements that the Guatemalan Constitution requires compensation for expropriation and that the President might be reluctant to take any action which might even remotely be open to charges of unconstitutionality in view of recent developments in El Salvador, the following observations are made:

While the Department would prefer from a Proclaimed List point of view that the claims of the Proclaimed List owners be left for settlement after the war, it would rather have the property expropriated and compensation deposited in a blocked account in favor of the Proclaimed List owner than to have the properties owned by Axis spearheads remain in their names. Expropriation laws passed by other Central American countries provide for deposit of the appraised value of the expropriated property in a blocked account in favor of the Proclaimed List owners. Your despatch no. 3774 of April 8, 1943 [62] reported that the Minister of Foreign Affairs [63] had stated that payment for properties would have to be made in view of the Constitutional provisions and added that at the end of the war these amounts would be set off against Guatemala's claims against the

[62] Not printed.
[63] Carlos Salazar.

Axis Powers for direct or indirect losses arising from the War. At that time the Minister indicated that the price to be paid for the properties would be based on the evaluation declared by the owners for tax purposes, which value was uniformly far below the real value of the properties. Adoption of this policy would appear to have obvious advantages over a retention of ownership on the part of Axis spearhead firms and persons.

Please report by telegram concerning any further developments in this regard and concerning any discussions held with members of the Guatemalan Government. HULL

740.14112A/89 : Telegram

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

GUATEMALA, June 13, 1944—5 p. m.
[Received 10:50 p. m.]

359. In amplification No. airgram 286, June 10[64] yesterday when Mr. Bonsal[65] and I visited the President he thought it impossible to nationalize Proclaimed List *fincas* without amending the constitution and this was an inopportune moment to attempt such a change in view of recent political disturbances in Central America.[66]

Last night the Foreign Minister stressed the shock his country had received upon learning of our desire in this connection, yet he thought something might be done if we insisted. This morning he reviewed Guatemala's entire program of collaboration, deplored our position taken with respect to nationalization, but said that if we demanded immediate action in the case of certain *fincas* the Guatemalan Government would reluctantly go through with it although considering such a demand as an unwarranted expression of lack of confidence.

Mr. Bonsal will be in Washington in a few days and I suggest the Department's final decision in this matter be postponed pending discussion with him on his return.

LONG

740.00112A European War 1939/36679 : Telegram

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

GUATEMALA, June 22, 1944—6 p. m.
[Received June 23—12:25 a. m.]

384. Reference previous correspondence on Proclaimed List coffee and expropriation of enemy alien properties.

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[64] Not printed.

[65] Philip Bonsal, Deputy Director of the Office of American Republic Affairs, was in Guatemala only briefly during an extended visit to Central and South America.

[66] For correspondence concerning political unrest in Nicaragua, see pp. 1391 ff.

The Chief of Protocol today brought me from the President a draft of a decree which it is expected will be published today or tomorrow expropriating coffee plantations owned by German Nationals on ground of public necessity and utility.[68] It is not clear from the phraseology of the decree whether all German property will be expropriated or only holdings of persons who are considered to constitute a danger to the security of the Republic and the defense of the hemisphere. The decree provides that indemnification will be based on the valuation declared by the owners for tax purposes and will be held in suspense until after the war. It also provides that the executive will determine in subsequent decrees the individuals and corporations whose properties will be expropriated in favor of the nation.

There can be little doubt that this development is not unconnected with the political situation which I have reported in separate telegraphic communications.

Further developments will be reported by cable.

LONG

814.00/7–1144 : Telegram

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

GUATEMALA, July 11, 1944—11 a. m.
[Received 5 : 11 p. m.]

493. I have today received a communication from the Foreign Office dated July 10 informing me that the Government of General Ponce[69] intends to maintain the measures adopted by the previous regime in everything relating to the cooperation of Guatemala with the Government of the United States, especially with regard to the common war effort and hemisphere defense and solidarity.

The note goes on to say that in particular the Provisional Government confirms the measures adopted with respect to enemy national property, particularly decrees 3115 and 3119 providing for forced expropriation of German-owned coffee *fincas*. The note states that these decrees will be submitted to the National Assembly "en la opportunidad legal" and the Government will give full effect to the provisions thereof for which purpose appropriate steps are already being taken and will further take the necessary measures to prevent any funds passing into the hands of German nationals in consequence of the transfer.

I consider this communication formally confirming the oral assurances received from other members of the Government should assist

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[68] Copy and translation of this Decree, No. 3115, was transmitted to the Department by Ambassador Long in his despatch 1243 of June 23, 1944, not printed.

[69] For correspondence concerning the resignation of President Ubico on July 1 and his replacement first by a military junta and later, on July 4, by Provisional President Federico Ponce Vaides, see pp. 1134–1136.

the Department and the Treasury in reaching an early decision with respect to disposition of this year's coffee crop.

LONG

740.00112A E.W. 1939/7–1044 : Telegram

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

WASHINGTON, July 14, 1944—6 p. m.

408. Treasury Department has approved, under Executive Order no. 8389, as amended,[70] the importation into the United States and other dealing in coffee of the current year's crop produced on Proclaimed List properties. This approval is based on Decrees no. 3115 and no. 3119, and on the assurances received from the Guatemalan Government, as reported in your telegrams no. 492 of July 10 [71] and 493 of July 11, that it will give full effect to the provisions thereof and that any proceeds of the sale of the coffee or the transfers of the property will be blocked during the war.

The procedure with regard to the licensing and issuance of consular invoices will be the same as outlined in Department's airgram no. 436 of May 17, 1943 [72] with regard to the importation of last year's crop. You are accordingly authorized to notify all United States persons and firms that, notwithstanding General Ruling No. 11,[73] such coffee can now be dealt in and imported into this country without the necessity of obtaining specific Treasury licenses, under Executive Order No. 8389, as amended, and to notify all local persons and firms that they will not be recommended for inclusion on the List if they participate in the purchase of such coffee for shipment to the United States.

HULL

[A purchase contract for the entire block of Proclaimed List coffee was signed on July 17 by representatives of Guatemala's Departamento de Fincas Urbanas de la Nación and of "Agencias Unidas", S.A. Guatemala, an exporting firm and subsidiary of Otis McAlister and Co. of San Francisco, California. Details of this transaction are given in despatch No. 1334, dated July 21, from the Ambassador in Guatemala, not printed (740.00112A European War 1939/7–2144).]

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[70] 5 *Federal Register* 1400, 2667; 6 *Federal Register* 2897; 7 *Federal Register* 5205.

[71] Not printed.

[72] *Foreign Relations*, 1943, vol. VI, p. 356.

[73] For text of Ruling, see Treasury Department, "General Ruling No. 11 Under Executive Order 8389, as Amended, and Regulations Issued Pursuant Thereto Relating to Foreign Funds Control," *Documents Relating to Wartime Financial and Property Controls of the United States Government* (Washington, June 30, 1942).

740.14112A/11–1444

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

[Extract]

No. 1727 GUATEMALA, November 14, 1944.
[Received November 18.]

SIR: I have the honor to report recent developments with regard to the expropriation measures of the Guatemalan Government and to our efforts to make any adjustments in the Proclaimed List which might facilitate the placing in effect of these measures.

As the Department has indicated, it was never urged that all persons included in the Proclaimed List would be subject to the expropriation proceedings decreed by the Guatemalan Government, particularly since there were a number of cases which we had been studying for deletion for some time. During the months of the Ponce regime[74] we made repeated efforts to indicate to the Guatemalan Government that while we did not wish in any way to discourage them from taking German properties, there were some cases which we would be willing to discuss with a view to deletion if the Government so desired. After a number of discussions with officials, followed by a change in procedure so that the work had to be repeated with someone else, we were actually getting to the point of taking up individual cases when the government was overthrown on October 20, and we had to start at the beginning again.

On November 10, a lengthy discussion was held with Sr. Jorge Toriello of the Junta del Gobierno and the Minister of Foreign Relations,[75] the result of which was that they agreed definitely that the properties of spear-head firms and individuals should be expropriated, but that the lists should be reviewed in order that there should not be cases of unnecessarily harsh action affecting bona fide Guatemalan nationals or inoffensive enemy nationals. It was informally stated by the government officials that in their opinion persons deported and repatriated to Germany should lose their property here, and persons who had actively supported the German cause, regardless of nationality should be subject to the effects of the laws, all of which can be taken only as an expression of the present thinking of the Government and not a commitment on their part.

. . . . . .

Respectfully yours, BOAZ LONG

[74] For correspondence concerning the overthrow of the Ponce regime on October 20 and the establishment of a triumvirate, see pp. 1132 ff.

[75] Enrique Muñoz Meany.

740.14112A/12–1544

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

[Extracts]

No. 1881 GUATEMALA, December 15, 1944.
[Received December 19.]

SIR: With reference to the Department's Telegram No. 712 of December 12 [7], 1944, 6 [1] p. m.,[76] I have the honor to report that a member of my staff has been informed jointly by Mr. Gabriel Orellana H., the Minister of Finance and Public Credit, and Mr. Pedro G. Cofiño, the Minister of Economy and Agriculture, to the effect that at a recent meeting of the Cabinet and the Revolutionary Council of Government it was decided that the matter of further consultation as between officials of this Embassy and the Guatemalan Government, leading toward the deletions from the Proclaimed List as proposed in this Embassy's Despatch No. 1727 of November 14, 1944, would at this time tend to delay unnecessarily the implementation of the expropriation measures, and since it is desired by both Governments that the process of registering the Proclaimed List properties in the name of the Nation, as provided for in the expropriation decrees, proceed as rapidly as possible that, as far as the Guatemalan authorities are concerned, no consideration need be accorded to the matter of deletion of any cases at this time.

Inasmuch as our preoccupation, as indicated in earlier despatches, with certain proposed deletions was predicated on the belief at that time that such deletions would facilitate the operations contributing toward the alienation of the spearhead Axis firms, the policy of the present Government to expropriate *in toto*, in conformity with the applicable legislation causes that desideratum to disappear.

The policy adopted by the present Guatemalan authorities was, it will be observed, not determined upon until the incumbents in office were assured that they would have sufficient time to carry out this aspect of the program as now seems possible in conformity with Decree No. 17 of the Revolutionary Council of Government by which is maintained the Administrative *status quo* until March 15, 1945. . . . The present Cabinet . . . in conformity with its aim to carry out its international commitments to alienate Axis properties, has determined upon the program of expediting the registration in the name of the Nation of all properties appearing on the expropriation measures and expects to accomplish this work by the middle of next January (1945) at the latest.

The approach which the Guatemalan authorities have made to this problem as outlined above, has been discussed thoroughly with

[76] Not printed.

the British Legation and they are in accord with us on the principle that until such time as further developments may warrant a shift in attitude that the best procedure under the circumstances is to hold in abeyance the matter of possible deletions from the Proclaimed and Statutory Lists as previously recommended to the Department.

I may add that it has been learned on reliable authority that the "Procurador General" [77] of the Nation has already prepared upwards of fifty "expedientes" of expropriated *fincas* and that others are rapidly being drawn up, so that it looks as though this phase of the program is actually underway.

Respectfully yours, BOAZ LONG

AGREEMENT BETWEEN THE UNITED STATES AND GUATEMALA RESPECTING COOPERATIVE EDUCATION

[For text of agreement, effected by exchange of notes signed in Guatemala August 10 and September 16, 1944, see Department of State Executive Agreement Series No. 450, or 59 Stat. (pt. 2) 1271.]

AGREEMENT BETWEEN THE UNITED STATES AND GUATEMALA CONCERNING THE ESTABLISHMENT AND OPERATION OF AN AGRICULTURAL EXPERIMENT STATION IN GUATEMALA, SIGNED JULY 15, 1944

[For text of agreement, signed in Guatemala, see Department of State Executive Agreement Series No. 422, or 58 Stat. (pt. 2) 1429.]

[77] The office of the Attorney General.

HAITI

EFFORTS TO REDUCE THE ADVERSE EFFECTS OF THE TERMINATION OF A CRYPTOSTEGIA PROGRAM IN HAITI SPONSORED BY THE UNITED STATES

811.20 Defense (M)/15662: Airgram

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

PORT-AU-PRINCE, April 14, 1944—11 a. m.
[Received April 15—4 p. m.]

A–209. Embassy's despatch No. 2727 of April 13, 1944; [1] President Lescot's attitude regarding discontinuance of Cryptostegia program.[2] Following the procedure suggested in despatch No. 2727 under reference, President Lescot received me yesterday afternoon, together with the following:—Ministers Dartigue[3] and Lacroix,[4] Messrs. Allen,[5] Bicknell,[6] Knapp[7] and Fennell.[8]

The President's attitude showed a marked change in the 24 hours since I had last seen him. He stressed time and again the political difficulties with which he would be confronted on the discontinuance of the Cryptostegia program; he pointed to the fact that he had himself gone out into the country and had addressed large meetings to gain support and enthusiasm for the program; and that, with its discontinuance before the end of the war, it would make him lose prestige in the eyes of his people so much had he placed the weight of his office behind this experiment. He asked with considerable emphasis time and again that every effort be made not to give the impression that the whole project had collapsed completely and that no announcement be made of its discontinuance until some opportunity had been given to see either what could be salvaged or how the land could otherwise be profitably cultivated.

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[1] Not printed.

[2] In October 1942, SHADA (Société Haitienne Américaine de Développement Agricole, a corporate agency of the Haitian Government) signed a contract with the Rubber Reserve Company (a United States war agency later known as the Rubber Development Corporation) for the planting of 100,000 acres of Cryptostegia, a gourd vine whose tendrils could be tapped to extract latex. For a brief summary of the terms of this contract, see bracketed note, *Foreign Relations*, 1942, vol. VI, p. 460.

[3] Maurice Dartigue, Minister of Agriculture and Education.

[4] Abel Lacroix, Minister of Finance.

[5] Douglas Allen, Rubber Development Corporation.

[6] J. W. Bicknell, Vice President, Rubber Development Corporation.

[7] M. D. Knapp, Chief, Plantations Section and Assistant Vice President, Rubber Development Corporation.

[8] Thomas A. Fennell, President and General Manager, SHADA.

He stated his position so strongly, in fact, that it appeared calculated to impress his listeners and perhaps to establish a bargaining point at a level more favorable to the Haitian Government than merely on the basis of the contract. This I believe to be borne out by the position taken by Minister Dartigue. Both he and President Lescot made repeated references to the moral obligations involved and to the necessity for compensation. At one point the Minister for Agriculture mentioned the exaggerated sum of $1,000,000 as the amount to defray the costs of putting the lands back into cultivation, arguing that, if the program were to be continued, upwards of $5,000,000 would have been spent on it this year; with its discontinuance the Rubber Development, he said, surely could spend one-fifth in compensation.

The President and his Ministers were assured time and again that their position would receive every consideration, if and when the RDC [9] Board decided to act upon the recommendations for discontinuance of the program. In this connection, in order that the Haitian Government might have an opportunity to set out its views fully and to suggest practical and equitable methods of discontinuance, it was agreed that Ministers Dartigue and Lacroix, together with Messrs. Bicknell, Knapp and Fennell, would undertake to draw up a memorandum containing such suggestions. In the meantime, the President urged that the matter be kept strictly confidential and made one final request that, in so far as possible, the emphasis be placed on a reduced program rather than upon a total discontinuance.

There is no question but that the President was less at ease than the day before, but it is quite possible that some of his anxiety in respect to the Cryptostegia situation was somewhat mixed with a concern over the reaction to his calling of the Constitutional Assembly (Embassy's A–206, April 13, 11:00 a. m., 1944 [10]), which has not been as favorable in some quarters as he might have hoped and he consequently awaits the decisions to be taken on Monday with some impatience. It can also be argued that his reference to loss of prestige with the peasants is over-stressed. As their understanding of external affairs is limited and their knowledge of war issues restricted, it may be assumed that, if their lands are returned to them to cultivate in food crops, they would be as contented as in cultivating the hitherto unknown Cryptostegia.

CHAPIN

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[9] Rubber Development Corporation.
[10] Not printed.

811.20 Defense (M)/15837f: Telegram

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

WASHINGTON, May 13, 1944—8 p. m.

178. [From Allen.] Pursuant to conversations we have recently had and in accordance with the SHADA Cryptostegia contract dated the 26th of October, 1942,[11] paragraphs 18 and 13, notice is hereby given of the cancellation by RDC of the said contract, with cancellation becoming effective 30 days from the date of the receipt of this cable.

Negotiations, as you know, are pending by which the cancellation conditions specified in paragraph 13 of the said contract may be altered, and from which certain additional understandings may arise.

Rubber Development Corporation expects that all further expenditures in the meantime which are connected with the program will be limited to the minimum amount absolutely necessary to protect the interests of this Corporation until the date on which cancellation becomes effective, at which time there will be an end to all expenditures except to the extent that mutual agreement may be reached on further expenditures, it being understood, however, that this Corporation's policy is to effect liquidation of the project in an orderly manner so that all Haitian and American personnel receive considerate and fair treatment and with regard to Haitian labor, an avoidance of abrupt measures by which political difficulties might be caused.

Discontinuance by you of the experimental work outlined in the memorandum of Dr. Curtis [12] which I discussed with you when I was recently in Haiti is not intended, since it is contemplated that RDC and SHADA will enter into a new contract on this subject. It is suggested that at this time no auditing or accounting personnel be discharged since the cancellation will involve considerable auditing and accounting work.

It is requested that you send a cable acknowledging that this cable has been received, and informing me of the date on which you receive this cable.

Foregoing from Allen, Rubber Development Corporation for SHADA.

HULL

811.20 Defense (M)/15926c: Telegram

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

WASHINGTON, May 27, 1944—3 p. m.

195. Rubber Development Corporation requested that you should draw to the attention of SHADA and the Haitian Government the

[11] Not printed; see footnote 2, p. 1169.

[12] Dr. John T. Curtis, director of the agricultural research station at Gonaives, Haiti; memorandum not found in Department files.

following: notice of cancellation of agreement of October 26, 1942 having been given to SHADA by Rubber Development Corporation on May 16, all provisions of the agreement relating to cancellation became operative as of that date and SHADA became responsible for carrying out these provisions, including the making of arrangements for the prompt return of the leased land to the owners. Rubber Development Corporation has advised both the Haitian Government and SHADA that it is prepared to fulfill all of its obligations under the contract arising out of cancellation thereof. Such being the case, Rubber Development Corporation is unable to assume any responsibility for delay by SHADA in returning the leased land to the owners in accordance with the applicable provisions of the contract.

In this connection Rubber Development Corporation notes that the Secretary of State for Agriculture of the Haitian Government in his recent communication to Rubber Development Corporation has stressed the importance of the prompt return of the land so that the owners may take advantage of the present rains to plant the land to new crops. Rubber Development Corporation assumes therefore that the Haitian Government will facilitate the earliest possible return of the land by SHADA.

The Haitian Government has requested the Rubber Development Corporation to alter somewhat its obligations under the Agreement. Rubber Development Corporation is awaiting a further expression of opinion from the Haitian Government relative to certain suggestions made by Rubber Development Corporation in response to the said request of the Haitian Government. It is the view of the Rubber Development Corporation that any discussions regarding the aforesaid request of the Haitian Government be not and should not be permitted to delay the return of the land or to carrying out by SHADA of the other provisions of the agreement relating to its cancellation.

From the Department. If you perceive no objection to the foregoing, Department approves presentation thereof to the Haitian Government and to SHADA. If it is presented please so cable for information of the Department and RDC.[13]

HULL

811.20 Defense (M)/15891 : Telegram

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

PORT-AU-PRINCE, May 30, 1944—3 p. m.
[Received 5 : 09 p. m.]

162. President Lescot has, by note dated May 29,[14] rejected proposition of financial aid for rehabilitation program contained in Depart-

[13] Further reference to this matter not found in Department files.

[14] Copy transmitted to the Department in despatch 2831, May 30, 1944, from Port-au-Prince; neither printed.

ment's A–160, May 12, 1944.[15] Rather, however, than to risk any controversy as between the two Governments, he has decided that the Haitian Government should assume all financial responsibility in this connection and consequently that responsibilities of RDC in cancellation do not extend beyond its contractual obligations.

Full text of President's note follows by pouch today.

CHAPIN

811.20 Defense (M)/15936a : Telegram

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

WASHINGTON, June 3, 1944—7 p. m.

207. For SHADA from RDC. Word has been received from the Haitian Government that return of leased lands to the peasants is to be handled by SHADA. In view of urgency expressed by the Haitian Government for such return please proceed as rapidly as practical in accordance with the terms of the contract and the leases between SHADA and the owners. Continue temporarily, however, lease on Gonaives property[16] and the pilot experimental plots to be selected by Dr. Curtis. Also on all leases on which contract properties have been developed or stored. [RDC.]

STETTINIUS

811.20 Defense (M)/7–144 : Telegram

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

WASHINGTON, July 1, 1944—2 p. m.

246. Reference Department's instruction no. 25, June 28, 1944.[17] The Department has requested the Office of the Coordinator of Inter-American Affairs to assist the Haitian Government if that Government so desires to replant former Cryptostegia lands in money or subsistence crops, up to a limit of approximately $300,000 within the following framework:

1. If requested by the Haitian Government after being generally informed of what is under consideration, CIAA[18] to make, in consultation with the American Embassy at Port-au-Prince and the

[15] Not printed: this airgram set forth proposals by the RDC for cancellation of its agreement with SHADA of October 26, 1942, with scrupulous fulfillment of all terms of cancellation in the agreement, and with additional offers to purchase until December 31, 1946, all Haitian rubber available for shipment and to authorize certain payments, sales and gifts of fixed assets to SHADA which would expedite and partially finance the return of leased lands to the peasant owners and the reconversion of such lands to other crops (811.20 Defense-(M)/15828A).

[16] Experimental and production work was officially terminated at the Gonaives Experimental Station by the Rubber Development Corporation on April 1, 1945.

[17] Not printed.

[18] Office of the Coordinator of Inter-American Affairs.

appropriate Haitian authorities, a thorough investigation as to the exact nature of the program needed in that country (it is understood CIAA is assigning Messrs. Vance Rogers and Bernard Bell of its staff to undertake this investigation, which should not take more than one month. Messrs. Rogers and Bell will arrive in Haiti shortly.);

2. Such assistance as may be granted on the basis of this report to be confined to assistance in kind (seed, fertilizer, tools, et cetera) and to such cash contributions as may be necessary to meet the salaries of Haitian technicians employed by the Haitian Ministry of Agriculture;

3. The program to be carried out through the Haitian Ministry of Agriculture; and

4. CIAA to limit its activities to lending assistance and advice and maintaining supervisory control over the disposition of the resources to be made available to the Ministry of Agriculture.

You are instructed, at your discretion, to inform the Haitian Foreign Office only of point 1 above, emphasizing that any program of assistance that may be extended to Haiti would be based on the recommendations of the CIAA representatives shortly to visit that country and that the details of such a program would be agreed upon by the two Governments after the CIAA investigation.

Additional information being forwarded by instruction.

HULL

811.20 Defense (M)/7–2444

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

No. 109 PORT-AU-PRINCE, July 24, 1944.
[Received August 1.]

SIR: With reference to the Department's telegraphic instruction no. 140 of April 19, 6:00 [*2:00*] p.m., 1944,[19] to this Embassy's despatch no. 2745 of April 21, 1944,[20] and to previous correspondence relative to the termination of the Rubber Development Corporation Cryptostegia program and its effects upon the economy of Haiti, I have the honor to enclose a memorandum [21] giving a view of economic developments in the interval since the project was discontinued and an estimate of existing conditions.

It will be recalled, in this connection, that the Embassy, in its despatch no. 2745, page 2, stated in part as follows:

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[19] Not printed.

[20] Not printed, with exception of quotation below.

[21] Not printed; it emphasized the importance of the Cryptostegia program to the Haitian economy by indicating that the approximate sum of $6,500,000 spent in Haiti since October 1942, largely concentrated in the year 1943 and a few months in 1944, compared meaningfully with Haiti's annual budget of $6,000,000 and its total annual payment in salaries and wages of $10,000,000. The memorandum also pointed out that some 50,000 persons had found employment in the SHADA program at better than average wages in 1943, a figure greater than Haiti's total agricultural employment at any previous time. (811.20 Defense (M)/7–2444)

"There is little doubt but that, if the Cryptostegia program were abandoned without providing for anything to take its place, the economy of the country would suffer materially. The impact of such a proportionately large program on this country has been severe, has built up an unusual purchasing power, has served to raise prices,—not to any alarming extent perhaps, but measurably,—and some part of the scarcity of household requirements may be ascribed to the incidence of the program in Haiti. However, the impetus given the potential purchasing power of the country will continue to be felt for some little time and, if proper direction is immediately given towards a substitute program—i.e. food crops production, the psychological and political factors should be resolved as quickly as adjustment is made in achieving the new program."

The delays in turning Cryptostegia land back to the owners and in the organization of the food production program have served to accentuate the lull in business usually experienced at this time of year, commonly referred to as the "dead season". However, as is suggested in the attached memorandum, while early solutions should be pressed, the situation does not necessarily give cause for any undue alarm and may be expected to resolve itself in a more or less normal way when the new coffee crop begins to move late in the summer.

Respectfully yours, ORME WILSON

GOOD OFFICES OF THE DEPARTMENT OF STATE ON BEHALF OF AMERICAN HOLDERS OF HAITIAN BONDS; SUPPLEMENTARY AGREEMENT BETWEEN THE UNITED STATES AND HAITI PROVIDING FOR AMORTIZATION PAYMENTS

811.516 Export-Import Bank/7–2144

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

No. 106 PORT-AU-PRINCE, July 21, 1944.
[Received July 24.]

SIR: I have the honor to transmit herewith in original and translation a copy of a note dated July 14, 1944,[22] from the Haitian Foreign Office on the subject of the amortization during the fiscal year 1944–45 of the "A" and "C" Loans contracted in 1922–23 [23] and of the notes owing to the Export-Import Bank in pursuance of the contract for public works entered into between the Haitian Government and the J. G. White Engineering Corporation.[24]

[22] Not printed.

[23] For terms of the $16,000,000 Series A loan of 1922 and the $4,400,000 Series C loan of 1923, see letter of October 7, 1922, from Port-au-Prince, *Foreign Relations*, 1922, vol. II, p. 515, and telegram 86, August 1, 1923, 5 p. m., from Port-au-Prince, *ibid.*, 1923, vol. II, p. 420, respectively.

[24] In 1938 there was set up under an Export-Import Bank credit of $5,500,000 a public works contract with the J. G. White Engineering Corporation.

The note states that the Haitian Government plans to pay two notes for $400,000 each held by the Export-Import Bank and $350,000 as amortization of the "A" and "C" bonds. It acknowledges that the financial position of the Haitian Government does not enable it to resume full amortization of these bonds (this would amount to over $950,000) and requests the Department's assistance in arriving at a new agreement with the Foreign Bondholders Protective Council.

The Embassy is informed by the Co-President and General Manager of the Banque Nationale [26] that the unobligated treasury balance at the close of the fiscal year will be between $1,200,000 and $1,400,000 and that it is from this sum that the Haitian Government proposes to make the above-mentioned amortization payments. For the fiscal year 1944–45 an expenditure budget of Gdes. 35,000,000 is anticipated, based on an unofficial estimate of receipts. Obviously the progress of the war and its effect on Haitian economy can occasion modifications upwards or downwards of this estimate.

It seems evident that the holders of the 1922–23 bonds, who enjoy an undisputed first mortgage on the receipts of the Haitian Government available for amortization purposes, should be apprised of the Haitian Government's plans set forth above.

In the present situation conversations with the Foreign Bondholders Protective Council appear inevitable, as these bondholders have the right to be consulted and to reach a decision on the amount they are willing to accept, before any funds can be applied to the retirement of the notes held by the Export-Import Bank, which are junior to the bonds. It is clearly a matter of importance that the Haitian Government and the National Bank should know whether the bondholders will accept the offer made to them or whether they will insist on larger payments. The latter decision might render it necessary to modify the project for retirement of the J. G. White notes and the Haitian Government's plans for budgetary expenditures in the coming fiscal year.

I have not been invited by the Haitian Government to discuss the possibility of extending the maturity dates of the "A" and "C" bonds or of refunding at a lower rate of interest. These securities could be retired at maturity, if the unobligated balances of the Haitian Government continue at their present level until 1952 and a drastic reduction is made in the retirement of the J. G. White notes. Obviously, it would be to Haiti's advantage to retire as soon as possible securities bearing 6% interest, especially if they could be bought in the open market at prices under par. The uncertainties, however, of Haiti's future economy, dependent as it is on the effects of the war and on judicious control over governmental expenditures, make it problematical whether such a plan could be effectively carried out.

[26] W. H. Williams.

As the Department will undoubtedly desire to obtain further information concerning the contemplated receipts and expenditures of the Haitian Government during the coming fiscal year, I shall endeavor to procure these figures for transmission to Washington.

Respectfully yours, ORME WILSON

811.516 Export-Import Bank/7–2144

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

No. 99 WASHINGTON, August 25, 1944.

The Department refers to the Embassy's despatch no. 106 of July 21, 1944, enclosing a copy of the note from the Haitian Foreign Office dated July 14, 1944,[27] regarding amortization of the Haitian six percent dollar bonds and of the Export-Import Bank loan.

The Department observes that the Haitian Government plans to pay $800,000 for amortization of the notes held by the Bank and $350,000 for amortization of the six percent bonds. The Department has noticed also the Haitian statements that the unobligated treasury balance at the end of the current year will be between $1,200,000 and $1,400,000, and that the proposed amortization would be made from this balance. Finally, the Department has taken note of the request of the Haitian Government for the Department's assistance in arriving at a new agreement with the Foreign Bondholders Protective Council, Incorporated.

This matter has been considered carefully in the Department and the conclusion has been reached that the Department can not support an approach to the Foreign Bondholders Protective Council on a basis of less than $700,000 for amortization on the Haitian 6's during 1944–45. For the information of the Embassy a memorandum of a conversation between officers of the Department and the Haitian Ambassador and Second Secretary is enclosed.[28] The Embassy will find therein an indication of the factors considered by the Department in arriving at the conclusion stated above. It will be noted that the figure of $700,000 is not one introduced for purposes of discussion with the Haitian Government, but represents the Department's decision as to a minimum which it would be prepared to support with the Council, as fair to the bondholders, under existing conditions.

The Department suggests that the Embassy make appropriate reply to the Haitian Government's note of July 14, 1944, in the sense indicated in the first sentence of the preceding paragraph.

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[27] Note not printed.

[28] Not printed; the conversation was between Emilio G. Collado, Chief of the Division of Financial and Monetary Affairs, J. C. Corliss of that Division, Ambassador André Liautaud, and Second Secretary Daniel Théard.

838.51/8-2544

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

No. 180 PORT-AU-PRINCE, August 25, 1944.
[Received August 30.]

SIR: I have the honor to transmit herewith for the information of the Department a copy, in original and translation, of a letter dated August 24, 1944 [29] addressed to the Haitian Minister of Foreign Affairs [30] by the Minister of Finance,[31] which has been transmitted to me by the former. In this communication, the substance of which is forwarded in my airgram no. A–442 dated August 26, 1944,[32] Mr. Lacroix refers to the conversation between Ambassador Liautaud and Mr. Collado, as reported by the former, and outlines a counter proposal reducing to $400,000 the initial amortization in the fiscal year 1944–45 of the 1922–23 bond issues and suggesting that reconsideration be given to this subject at the close of that fiscal year. Mr. Lacroix justifies this counter proposal by citing the necessity to set aside $800,000 to retire the two notes of the Export-Import Bank maturing in the next fiscal year, and the probability that disturbed business conditions will make serious inroads on the income of the Haitian Government.

There seems to be no doubt that the question of amortizing the bonds of the 1922–23 issues has been occasioning considerable concern to the Haitian Government. On August 23 I called on President Lescot [33] at his request. He received me in his private office, where were assembled the Ministers of Foreign Affairs, Finance and Agriculture and Education.[34] I gathered immediately that this meeting had been occasioned by the receipt of the despatch from Ambassador Liautaud setting forth the Department's proposal that Haiti should set aside $700,000 for amortization purposes. The President informed me with considerable emphasis and display of emotion that it would be practically impossible to meet the Department's suggestion, which would consume the budgetary reserves of the Haitian Government and leave nothing for such vitally important matters as the improvement of Haitian agriculture through irrigation and other assistance to the farmers. It was necessary, he went on, for Haiti to render this assistance in order to place itself in a stronger position to meet the economic uncertainties of a post-war period when the United States might be disinclined, owing to more pressing problems, to give help

[29] Not printed.
[30] Gerard Lescot.
[31] Abel Lacroix.
[32] Airgram not printed.
[33] Elie Lescot.
[34] Maurice Dartigue was Minister of Agriculture and Education.

to Haiti. Furthermore, such agricultural development would tend to produce export surpluses which could be shipped to other regions of the Caribbean area. The United States Government, by insisting on the allotment of all of Haiti's available funds to the service of its external debt, would prevent the Haitian authorities from improving the lot of the Haitian peasant and increasing the wealth and welfare of the country. In making this plea, the President adverted to the fact that the Government had proved the honesty of its intentions by a punctual payment of current bond interest, as well as of a certain portion of that interest which had been deferred during the Vincent administration.[35] Before concluding, the President referred to the advisability of converting the six percent bonds into a long term issue bearing interest at four percent.

Minister Lacroix then explained to me at some length the arguments contained in his letter to the Minister of Foreign Affairs. I discussed these matters with him and pointed out to him and to the President that while the United States Government had no desire to impose any undue hardship on the Haitian Government, it must be kept in mind that the legitimate interests of the bond holders must be protected.

It appears to me that the most important factor in this matter is the accuracy of the Haitian Government's estimate of the economic conditions which will prevail during the coming fiscal year. Although I have no desire to question the sincerity of Minister Lacroix's views, the information which I have been able to obtain thus far indicates that opinion in business circles is not as pessimistic as the Minister's. It is certain, however, that the cessation of the Cryptostegia program [36] has occasioned a decrease in business activity.

In order to reach a just appraisal of the Haitian Government's arguments, consideration must also be given to the political situation and the stability of the Lescot administration. Although, as I have stated in earlier despatches, there are no indications of any dangerous movement to overthrow President Lescot, it should be kept in mind that there is a latent discontent occasioned by wide spread poverty and the financial prosperity of certain circles which surround the President, which give rise to rumors, not entirely unjustified, concerning the manner in which certain of these persons obtained their wealth. It seems clear, therefore, that if the Haitian Government is permitted to spend larger amounts on agricultural development, this will tend to stabilize its position and close the mouths of critics.

Respectfully yours, ORME WILSON

[35] The administration of President Sténio Vincent, 1930–1941.
[36] For correspondence on this subject, see pp. 1169 ff.

838.51/8–2544 : Telegram

The Secretary of State to the Ambassador in Haiti (Wilson)

WASHINGTON, September 21, 1944—6 p. m.

371. Department's 347, September 7, 7 p. m.[37] The Haitian Ambassador called September 19 and left a note proposing a total payment of $500,000 amortization on the 1922–23 loans for the next fiscal year, of which $400,000 should be paid at the end of this month and $100,000 when funds should be available for that purpose. The Department has discussed this proposal with Mr. Rogers, Vice President and acting chief of the Foreign Bondholders Protective Council, who said that he felt strongly that it is not a satisfactory substitution for the proposal of a total payment of $700,000, of which $400,000 should be paid October 1 and the other $300,000 should be paid only if the revenue position and outlook at the end of the first 6 months of the fiscal year ending September 30, 1945 indicates that receipts for the entire fiscal year will reach 35,000,000 gourdes. Mr. Rogers said that this $700,000 proposal with its flexible element safeguards the interests of both Haiti and the bondholders and could be supported before the latter while the proposal to pay only $500,000 irrespective of how high the Haitian revenue collections may go would be very hard to support before the bondholders or the public. He repeated that he felt this strongly.

Department has so informed the Haitian Ambassador and asked that he urge his Government to reconsider and accept the $700,000 proposal in view of the Council's position.

In view of shortness of time to complete customary procedure, endeavor to expedite Government's assent.

HULL

[For text of the supplementary agreement between the United States and Haiti, signed at Port-au-Prince November 9, 1944, by which the Haitian Government confirmed the plan outlined above, see Department of State Executive Agreement Series No. 440, or 58 Stat. (pt. 2) 1541.]

AGREEMENT BETWEEN THE UNITED STATES AND HAITI RESPECTING A HEALTH AND SANITATION PROGRAM

[For text of agreement, effected by exchange of notes signed at Port-au-Prince June 29 and July 12, 1944, see Department of State Executive Agreement Series No. 453, or 59 Stat. (pt. 2) 1298.]

[37] Not printed.

HONDURAS

AGREEMENT BETWEEN THE UNITED STATES AND HONDURAS RESPECTING COOPERATIVE EDUCATION

[For text of the agreement, effected by exchange of notes signed at Tegucigalpa March 29 and April 12, 1944, see Department of State Executive Agreement Series No. 447, or 58 Stat. (pt. 2) 1589.]

MEXICO

ARRANGEMENTS FOR TRAINING IN THE UNITED STATES AND SERVICE OVERSEAS OF A MEXICAN AIR FORCE FIGHTER SQUADRON

812.20/460

The Ambassador in Mexico (Messersmith) to President Roosevelt

MÉXICO, D. F., March 15, 1944.

DEAR MR. PRESIDENT: You will recall the conversation which we had towards the end of January or early in February, when I had the privilege of seeing you in Washington, and during which we discussed the possibility, desirability and feasibility, from various points of view, of a Mexican combat unit or units participating at one or more of the combat fronts. I told you at that time of the increasing interest of the President of Mexico [1] and of the Mexican Government in Mexico's making such participation even if it were only in token form, and I was happy to find you in complete agreement that such participation by the Mexicans would be desirable. In view of the fact that it seemed most feasible from every point of view that such participation should take the form of one or more air squadrons, with which point of view the President of Mexico I knew was in accord, you stated that you would discuss this matter with General Arnold,[2] the head of our air forces.

A few days after our conversation and before I returned to Mexico, at the request of General Arnold, I called on him and he informed me that you had discussed this matter with him and there was agreement that I could say to the President of Mexico on my return that we would welcome the participation of a Mexican air squadron at a combat front, and General Arnold informed me that as soon as I could give him word that the Mexican Government was prepared to proceed, he was ready to follow up the matter actively in the form in which he indicated to me, but with which I will not burden this letter. It was agreed that nothing should be said about this matter in public until all the appropriate arrangements of a preliminary character had been made.

On my return to Mexico, I immediately took up this matter with the President who was delighted to have this word from you and he said that he would immediately give the matter his attention and

[1] Manuel Avila Camacho.
[2] Gen. Henry H. Arnold.

that he would shortly get in touch with me. I realized that there were certain further measures which he would have to take here in order to prepare public opinion in Mexico for this step. Within about two weeks after my return to Mexico and this conversation with President Avila Camacho, air maneuvers were held by the Mexican air force near Mexico City taking the form of an attack on an airfield. The maneuvers went off very well and, in view of the short time which they had to prepare, it was a very significant evidence of the degree of training which the Mexican air force has carried through and the discipline which has been achieved, as well as proof of their capacity to make use of the equipment which we have furnished them. There were hundreds of thousands of spectators and the press gave the maneuvers a great deal of attention.

Almost immediately thereafter the President attended a luncheon given by some of the officers of the air force, during which he indicated that although Mexico's Allies, who were carrying on the war so vigorously, had not asked her military aid, he thought the time was coming when Mexico should participate actively in the conflict. His remarks were received vociferously by the officers, and I am informed that after the luncheon the President and the Ministry of Defense received thousands of telegrams from officers and men indicating their desire to form part of any active combat force which Mexico might supply.

Yesterday the Minister of Foreign Relations, Dr. Padilla,[3] sent for me and said that with reference to my conversations with the President on my return concerning the participation of an air squadron at the combat fronts, the President now wished me to know that Mexico wished to offer this participation and was prepared to go ahead with the appropriate arrangements. I had told the President that the first step would be for General Arnold himself, or for some officer or officers whom he would designate, to come down here to talk this matter over with him and with the Mexican air force and that then the appropriate arrangements would be worked out along the lines which General Arnold had indicated to me in the conversation I had with him in Washington. The Minister, Dr. Padilla, said that he thought it would be best that there be no publicity until General Arnold, or some one whom he sends down here, has been here to work out certain details with the President and the Mexican military. After such conversations the announcement could be made both here and at home.

I am sending you this letter in duplicate in case you wish to send it to General Arnold. I have kept General Arnold informed through the State Department of my conversations with the President since

[3] Ezequiel Padilla.

my return from Washington, so that he has the details. The important thing for the moment is that the President of Mexico has now indicated the desire of Mexico to participate and to send at least an air squadron to the combat front, and has at the same time indicated that no announcement of the plan should be made until General Arnold, or an officer of the air force designated by him, has been here to complete certain arrangements.

While I am sure it will be difficult for General Arnold to leave Washington and his arduous duties, I am hoping that he himself may be able to come for a few days as he could make the trip without the purpose thereof being known, and I am sure it would be a gesture enormously appreciated by the Government and people of Mexico, as was the visit of General Marshall [4] during the last Independence Day celebrations here.

While the participation of Mexico may not grow beyond more than an air squadron, or two or three, the moral effect of such Mexican participation in Mexico, and in our own country, and I think in general, will be excellent, and I am very happy indeed that you have viewed this idea with the favor which you have and have made it possible for this development to take place. One thing I am confident of and that is that the Mexican aviators will give good account of themselves and we need have no fears on that score.

I am writing fully to the Department of State. I am writing a secret letter to Secretary Hull covering the details, with which I do not wish to burden you, and he will make available a copy of my letter to General Arnold.[5]

Believe me [etc.] GEORGE S. MESSERSMITH

812.20/469

The Ambassador in Mexico (Messersmith) to the Secretary of State

[Extracts]

MÉXICO, D. F., April 3, 1944.

MY DEAR MR. SECRETARY: I have to acknowledge your secret letter of March 23,[6] in reply to mine of March 15,[6] with which I sent you a copy of a secret letter of that same date to the President,[7] reporting

[4] Gen. George C. Marshall, Chief of Staff, United States Army.

[5] In a letter addressed to Laurence Duggan, Director of the Office of American Republic Affairs, dated March 15, 1944, Ambassador Messersmith enclosed duplicates of this letter of March 15 to President Roosevelt and of one of the same date to Secretary Hull, and requested that Duggan place them immediately in the hands of General Arnold (812.20/460). Letters to Duggan and Hull not printed.

[6] Not printed.

[7] *Supra.*

that Dr. Padilla, the Minister for Foreign Relations, had informed me of the desire of President Avila Camacho to offer the participation of a Mexican air squadron at a combat front and to enter into conversations with us covering the appropriate arrangements which General Arnold has in mind regarding this participation.

I received several days later a letter from the President dated March 24,[8] in which he stated that he had discussed the matter of the combat participation of a Mexican air squadron with General Arnold and that General Hall, the Deputy Chief of Air Staff, would discuss this matter informally with me and make arrangements for several other officers of General Arnold's staff to go to Mexico City later at the convenience of President Avila Camacho to discuss details. The President said that these officers would be fully conversant with the details of our suggested plan for equipping and maintaining a Mexican squadron. The President said that he was sure that satisfactory details can be worked out.

Arrangements had previously been made for our Government to decorate General Salinas, the head of the Mexican Military Air Force, and to this end General Hall, the Deputy Chief of Air Staff, arrived in Mexico City on March 26. He arrived with instructions from General Arnold to discuss this matter of possible Mexican participation through an air squadron with me on behalf of General Arnold and with the President of Mexico. The fact that General Hall came here for the purpose of decorating General Salinas made it possible for us to carry through all these conversations while he was here on participation by the Mexicans without any information getting to the press or to others with regard to the conversations which he also carried on with respect to Mexican participation. This was a very fortunate circumstance, as it is desirable for the present that the same reserve be maintained with regard to this matter, as we have maintained up to the present both at home and in Mexico.

On the afternoon of March 27 I took General Hall to call on Dr. Padilla and General Hall conveyed to Dr. Padilla the information which he had previously conveyed to me on behalf of General Arnold. The Minister said that he would be very glad to have some of the information which General Hall had given him specifically with reference to the composition of an air squadron in writing so that he could use it in his conversation with the President in the next day or two. General Hall prepared such a memorandum and I think I can best convey this information by enclosing herewith a copy of the memorandum which General Hall furnished me and which I later

[8] Not found in Department files.

furnished the Minister, Dr. Padilla, for the information of President Avila Camacho. This is enclosure no. 1 to this letter.[9]

In view of the fact that General Hall had discussed with General Salinas the possible composition of a Mexican air squadron, General Hall wrote me a secret memorandum dated March 29 covering this and I am appending hereto a copy of this memorandum (enclosure no. 2)[10] for the record. While I conveyed the information in this memorandum of General Hall's of March 29 to Dr. Padilla orally, I thought it well to leave a copy with him so that he might be able to inform the President with absolute definiteness as to the degree to which General Hall had discussed this matter with General Salinas—and this in view of the fact that General Salinas has not been informed by President Avila Camacho of the President's decision that a Mexican air squadron shall actually participate at the combat front.

Later I took General Hall to see President Avila Camacho at his home in Los Piños and Dr. Padilla, the Minister for Foreign Relations, was present. During this conversation the President reaffirmed to General Hall his firm intention to have a Mexican air squadron participate at a combat front. He said that Dr. Padilla had fully informed him concerning the conversation which General Hall and I had had with him. The President said that he was fully in accord with the outline and composition of the Mexican squadron which General Hall had left with him. He said that he would like to have a little further supplementary information and that was as to the rates of pay which the officers and men in an American squadron received. He said that he also wished to have as full information as General Hall could give him as to the cost of maintaining this squadron and he explained to General Hall the information which he wanted. The President said that he would need this information in order that he would be able to prepare the budget for the maintenance of this squadron at a combat front.

. . . . . .

One question developed during the course of our conversation with the President which will cause some little delay although no essential difficulty. The President said that it was interesting that all of us had been considering this matter of a squadron at a combat front and that we had not thought of the fact that he was not yet authorized to send troops out of this hemisphere. He said that he had authority from the Congress to use the Mexican Army in this hemisphere but that he had no authority to send them outside of this hemisphere. It

[9] Memorandum entitled "Personnel Requirements by Specialty for a Fighter Squadron"; not printed.

[10] Not printed.

was, therefore, necessary for him to seek that authority from the Congress.

. . . . . .

I am transmitting herewith (enclosure no. 3) a copy of a memorandum prepared by General Hall dated April 1 [11] which covers briefly the substance of his conversations here.

I am not going into full detail with regard to the conversations which took place while General Hall was here as General Hall will inform General Arnold fully with regard to details and the substance contained in this letter. I am not writing to the President with regard to this matter but I am enclosing herewith copies of this letter and would ask that a copy thereof be sent to General Arnold and you will use your discretion as to whether a copy should be sent to the President who has shown this interest in this matter.

The important thing for the moment is that there must still be the most complete reserve and secrecy with regard to this decision of the Mexican Government. The President, however, is proceeding with the selection of the personnel for the squadron and he has indicated that it will be ready to leave for training in Texas in two months. General Hall in the meantime is preparing the additional data which President Avila Camacho requested and which the President asked should be sent by General Arnold to me and by me to him. I think I should emphasize that for the present here the matter of the decision of the President to send a combat squadron to the front is still one which has not been communicated to the military authorities, including General Salinas, the head of the Mexican Air Force, who, while he realizes that the President is thinking along these lines, does not know that the President has made this decision and informed us of it.

. . . . . .

I shall keep you informed of developments.

With all good wishes [etc.] G. S. MESSERSMITH

812.20/477

The Ambassador in Mexico (Messersmith) to the Secretary of State

MÉXICO, D. F., May 31, 1944.

DEAR MR. SECRETARY: You will recall in connection with the matter of a Mexican air squadron for a combat front, the President of Mexico raised the question whether for certain reasons it would be possible to train the squadron in Mexico instead of in the United States. The Minister of Foreign Affairs, Dr. Padilla, told the President that he was sure that this was not practicable but Dr. Padilla asked me to

[11] Not printed.

raise the question with General Hall although he knew the answer would be negative. You will recall I sent you correspondence with General Hall in which I asked him to give me an answer to this question and I have had word from him to the effect that for the reasons which he set forth in his letter and which are obvious, it would be impossible to train a Mexican squadron in Mexico.[12]

I am conveying this information to the President of Mexico through Dr. Padilla this afternoon and for his purposes I am giving him a secret memorandum, of which I enclose a copy for your information.[13] The President and the Minister of Foreign Affairs I need not tell you will thoroughly appreciate why it is impossible to train such a squadron in Mexico and why the training will have to be done in the United States.

With all good wishes [etc.] G. S. MESSERSMITH

812.20/7–1244

Memorandum by the Military Attaché in Mexico (Ryan) to the Ambassador in Mexico (Messersmith) [14]

MEXICO CITY, 10 July 1944.

Subject: Training of First Mexican Fighter Squadron.

1. In order to arrive at a definite plan for the accomplishment of the necessary preliminary arrangements for the training of the First Fighter Squadron, Mexican Air Force, the following procedure is presented for your approval:

a. Approval of the detailed plan (see Tabs "A" and "B", attached [15]) by proper representatives of the Mexican Government and the United States Ambassador to the Mexican Government.

b. Notification of the approval by the Mexican Government to the United States Department of State through the United States Ambassador.

c. Immediate initiation of the formal request for this training by the Mexican Ambassador, Washington, D.C.,[16] to the Assistant Chief of Staff, G–2, War Department,[17] Washington, D.C., through the United States Department of State.

d. Approval of the request and the detailed plan by the War Department, Washington, D.C.

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[12] A copy of the Ambassador's letter to General Hall, dated May 20, 1944, was transmitted to the Secretary in a letter of the same date; neither printed. Reply from General Hall not found in Department files.

[13] Not printed; it explained the prohibitive costs involved in the time-consuming transplantation to Mexico of critical maintenance equipment, training facilities, and training personnel (812.20/477).

[14] Copy transmitted to the Department in despatch 18,726, July 12, 1944, from Mexico, *infra*.

[15] Tab "A" not printed.

[16] Francisco Castillo Nájera.

[17] Maj. Gen. George V. Strong. "G–2" is the designation used for "Military Intelligence".

e. Upon approval of the formal request by the United States War Department, the Mexican Ambassador to submit the list of names of personnel to be trained to the War Department, G–2, for final action.

f. The Mexican Ambassador to file immediately the necessary requisitions under Lend-Lease for Mexico.

2. The attention of the Mexican Government should be invited to the fact that the procedure outlined herein refers only to the arrangements for the training of the squadron and includes no commitments or arrangements whatsoever for the subsequent employment or equipping of the unit.

L. O. RYAN
Colonel, Air Corps

[Annex]

TAB "B"

OUTLINE OF FINANCIAL ARRANGEMENTS FOR TRAINING OF FIRST FIGHTER SQUADRON OF MEXICAN AIR FORCE

1. Charges to Mexico under Lend-Lease:
   a. Transportation within the United States.
   b. Hospitalization.
   c. Subsistence and housing of enlisted men.
   d. Property survey during training.
   e. Contract and factory school tuition, if any.
   f. Such clothing and personal equipment as is necessary for training.
   g. Equipment necessary for training authorized by appropriate Tables of Organization and Tables of Equipment.
   h. Items necessary for training issued to individuals under Tables of Clothing and Individual Equipment.
2. Charges to be borne by the United States:
   a. Expendable property, commercial fuel, motor fuel, mess fuel, office supplies and ammunition.
   b. Non-recurrent maintenance and construction.
   c. Depreciation of equipment.
   d. Burial expenses, if any, in the United States.
3. Expenses to be borne by Mexico, not under Lend-Lease:
   a. Transportation to the United States and return.
   b. Uniforms.
   c. Pay and allowances.
   d. Insurance.

4. Upon final approval by the Mexican Government and the United States War Department of plan for training, details of Lend-Lease are to be completed by the Mexican Embassy in Washington and appropriate agencies of the United States Government.

812.20/7–1244

The Ambassador in Mexico (Messersmith) to the Secretary of State

[Extract]

No. 18,726 MÉXICO, D. F., July 12, 1944.
[Received July 17.]

SIR: . . .

. . . . . .

As a result of my last communications to you [18] to the effect that the President had informed me that the squadron was ready to leave and in response to my suggestion that an officer of our air force come down here to make arrangements for the reception of the squadron by our air force in the United States for training, Colonel L. O. Ryan,[19] Colonel George Braga and Colonel George Prentice [20] arrived here last Friday.[21] Immediately after their arrival I took them to call upon Dr. Tello, the Under Secretary of Foreign Relations, in the absence of Dr. Padilla, the Minister, who stated that he would immediately get in touch with President Avila Camacho. Colonel Ryan in the meantime and I discussed with Dr. Tello details with regard to the training of the squadron and its departure and certain procedural and financial aspects in connection with the project.

We left with Dr. Tello a secret memorandum dated July 10,[22] of which a copy is transmitted with this despatch, and which is self-explanatory. Dr. Tello immediately had a translation thereof made and got it into the hands of President Avila Camacho.

President Avila Camacho received me and Colonel Ryan on July 10 at 9:30 a. m. and I discussed with him in some detail the arrangements and procedures set forth in the secret memorandum of July 10, hereto attached. The President said that the arrangements therein were satisfactory and that the squadron would be ready to leave Mexico City in order to arrive at Randolph Field in Texas on July 25. In accord with the President's desires, Colonel Ryan was informed that he could discuss details with regard to the departure of the squadron and other details with General Guzman Cárdenas, who is the Chief of Staff in the Ministry of National Defense.

Colonel Ryan has discussed with General Guzman Cárdenas the details of the sending forward of the squadron. It has been arranged

[18] Reference is to the Ambassador's letter dated July 2, 1944, not printed.
[19] Col. Llewellyn O. Ryan, Deputy Assistant Chief of the Air Staff for Training, United States Army Air Force.
[20] Col. George A. Braga and Col. George W. Prentice, officers in the Office of the Assistant Chief of Air Staff, Training.
[21] July 7.
[22] *Supra.*

that the squadron will leave here by rail so that it should arrive at Randolph Field on or about July 25.[23]

With respect to the financial arrangements, they are clearly set forth in the appended secret memorandum of July 10 furnished me by Colonel Ryan and of which a copy was left at the Foreign Office here and came to the attention of President Avila Camacho. The financial arrangements indicated in the memorandum are satisfactory to the Mexican Government and to the President of Mexico.

In order to facilitate the financial arrangements under Lend-Lease, Dr. Tello, the Under Secretary for Foreign Relations, is addressing two notes to this Embassy. In the first note he will state that the Mexican Government wishes to send forward this squadron of the Mexican air force for training in the United States preliminary to going forward for combat duty at a combat front and he makes the request that I inform the Department of State and the War Department that the squadron is prepared to be in the United States at the place designated on or about July 25. In the second note the Foreign Office will state that it desires me to inform the Department of State and the War Department that the Mexican Embassy in Washington and the Mexican Ambassador, together with the Military Attaché, General Alamillo, will be authorized to make all arrangements with the Department of State and with the War Department with respect to such parts of the expense of the squadron which will be chargeable to the Mexican Government under Lend-Lease.

These notes the Under Secretary, Dr. Tello, will submit to President Avila Camacho at his weekly interview with him on July 13, and immediately thereafter deliver them to me and I will send them to the Department immediately.[24] I am sending this preliminary information to you in order that you may know that the Mexican Government is in accord with the procedural and financial arrangements set forth in the secret memorandum of July 10, 1944, hereto appended, and that the appropriate notes will reach the Department. The Mexican Ambassador and General Alamillo will be authorized to carry on all conversations and to enter into all arrangements and to sign the documents in connection with Lend-Lease involved, with the Department of State and with the War Department.

In order to facilitate the arrangements President Avila Camacho has instructed General Alamillo to proceed to Mexico City immediately

[23] The squadron arrived at Randolph Field, Texas, July 25, for processing prior to specialized training elsewhere.

[24] Copy of the first note, Foreign Office note 2–077, dated July 11, addressed by Manuel Tello to Ambassador Messersmith, was transmitted in despatch 18,743, July 13, 1944; neither printed. Copy of the second note, Foreign Office note 2–013 dated July 19, addressed by Ezequiel Padilla to Ambassador Messersmith, was transmitted in despatch 18,996, July 20, 1944; neither printed.

599 037—67——76

and he is expected to arrive here today for instructions from the President in the foregoing sense and he will return to Washington immediately.

Colonel Ryan, Colonel Braga and Colonel Prentice have returned to Washington and immediately on the return of General Alamillo will be prepared to take up these matters with the Department of State and with the War Department.

I have wished to get this preliminary information to you in order that it may be clear that the appropriate notes from the Mexican Government giving authority on the part of the Mexican Government for the necessary understandings under Lend-Lease will go forward within a few days.

It will be noted that all the arrangements made are still on the basis of the squadron going forward for training for combat duty and that no mention is yet made of the ultimate destination. This is still necessary in view of the fact that the ultimate destination of this squadron will have to be kept secret until the Mexican Congress has given the appropriate authorization to the President of Mexico to send Mexican forces outside of this continent. It is contemplated that the training of the squadron will be completed about November 10, 1944 and that it will then be ready to go forward to a combat area.

In view of the still very secret character of this matter, I would appreciate your being good enough to take the appropriate steps to assure that this matter remains only within the knowledge of a few people in the Department and as few people as possible in the War Department in order that the appropriate secrecy with regard to the ultimate destination of the squadron may be maintained.

Respectfully yours, G. S. MESSERSMITH

812.20/8–244

The Ambassador in Mexico (Messersmith) to the Secretary of State

MÉXICO, D. F., August 2, 1944.

DEAR MR. SECRETARY: The Embassy will be reporting to the Department by despatch in due course concerning the press reaction here to the trip of General Gustavo A. Salinas to combat fronts in Europe, which trip was arranged through the courtesy of the War Department and of the Air Force. You will recall that General Gustavo A. Salinas is the head of the Mexican Air Force and at the invitation of the War Department and of the Air Force made this trip which carried him to combat fronts in Italy and Normandy. General Hall of the

Army Air Force accompanied him all during the trip and they returned via Washington and got to Mexico City yesterday.

General Hall came in to see me yesterday after their arrival and informed me that the trip had been from their point of view satisfactory and successful in every way and he stated that all of our Military Commanders in the zones which General Gustavo Salinas had visited had treated him with the utmost courtesy and had given him an opportunity such as is seldom given to see actual operations.

I have not seen General Gustavo Salinas as yet and I understand that he is making his report to the President of Mexico and to the Minister of National Defense, General Cárdenas,[25] today. The morning press, however, carries a preliminary statement which General Gustavo Salinas made, which shows his utmost satisfaction with the trip which he was privileged to make.

This is just a word to say that I am sure that this trip on the part of our Government was a very useful one and will be helpful in various ways in our relationships with Mexico. The President of Mexico is intensely interested in following the progress of the war, as you know he has been since the outset. It will mean a very great deal for him and will be a great personal satisfaction for him to get these firsthand reports which General Gustavo Salinas will be able to give him and the manner in which General Gustavo Salinas was treated during the trip—with full confidence and full opportunity to see what was going on—will undoubtedly make a deep impression on the President and if anything, help to strengthen the deep friendship which he has for us already and for our country.

I do not wish to burden you with any details and will not later but I am sure the President will speak to me about the trip in the near future and express his satisfaction. I did want to say that I think it was a fine thing for the Army and for the Air Corps to arrange for this trip for General Gustavo Salinas and that I think it was a very helpful step on their part in connection with our general relationships with this country.

It was particularly fortunate that an officer of the type of General Hall and of his rank was selected to accompany General Gustavo Salinas on this trip as General Hall has made an excellent impression on the Military and on the high officers of the Mexican Government with whom he has come in contact on the several trips he has made to Mexico.

Believe me [etc.] G. S. MESSERSMITH

[25] Ex-President Lázaro Cárdenas.

812.20/8–744

The Assistant Secretary of State (Berle) to the Chief of Staff, United States Army (Marshall)

WASHINGTON, August 24, 1944.

MY DEAR GENERAL: I enclose a letter from Ambassador Messersmith [26] regarding a possible growing desire on the part of the Mexican Army ground forces to participate overseas.

The Ambassador gives some very pertinent background material and strongly recommends that any initiative on this should come from Mexico, a recommendation which seems very wise in view of all the considerations involved in this.

Believe me [etc.] A. A. BERLE, JR.

812.20/8–1644

The Acting Deputy Director of the Office of American Republic Affairs (McGurk) to the Ambassador in Mexico (Messersmith)

No. 100 WASHINGTON, August 28, 1944.

DEAR MR. AMBASSADOR: You will recall the question of Mexican staff officers being sent to the battlefront. In this respect, the War Department told us some time ago that they would be unable to send any Mexican staff officers to the battlefront. We pointed out that they had already sent Brazilian officers and that they could expect a protest from the Mexicans if they refused to send them. Apparently, the War Department took this to heart and I enclose a copy of a memorandum [27] which was recently received from the War Department, indicating that arrangements are being made to send [six?] Mexican staff officers to Allied Headquarters in Italy.

It is possible that it might be desirable instead of having all of these officers regular Mexican staff officers, to send three staff officers and three general officers. If you have any thoughts on this matter, and would wish to let us have them immediately, we might pass word along to the War Department.[28]

For your information, there is also being discussed the possibility of staff officers from our other neighbors to the south. Nothing very definite has been done about this but I assume that within not too far distant a period some of these other countries will also be given an opportunity.

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[26] Letter dated August 7, 1944, addressed to Joseph F. McGurk, Acting Deputy Director of the Office of American Republic Affairs; not printed.

[27] Not printed.

[28] Ambassador Messersmith, in a letter dated September 1, 1944, to Mr. McGurk, stated that it was his belief as well as that of Gen. A. R. Harris, his Military Attaché, that the six Mexican officers should be of relatively high rank and that it would be preferable if three of them were Generals (812.20/9–144).

Apparently, the French front is out of the question just at present because the situation is still so mobile.

As soon as we have any definite information from the War Department, I will send it along.

Believe me [etc.] J. F. McGURK

812.20/9–444

The Ambassador in Mexico (Messersmith) to the Acting Deputy Director of the Office of American Republic Affairs (McGurk)

MÉXICO, D. F., September 4, 1944.

DEAR JOE: I appreciate your letter of August 31 with which you sent me a copy of a letter dated August 28 from Lt. General McNarney, the Acting Chief of Staff, addressed to Assistant Secretary Berle,[29] expressing the point of view of the Army with respect to the desire on the part of the Mexican Army to have ground forces participate overseas. I have taken due note that the War Department is in agreement with the views expressed by me in my letter of August 7 to the effect that the Army should refrain from any initiative in inviting the Mexicans to participate with a ground unit and that any initiative of this kind should come from the Mexican Government.

This information will be very helpful for me here and I shall be guided thereby.

Cordially and sincerely yours, G. S. MESSERSMITH

812.20/10–444

Memorandum by the Chief of the Liaison Section, Operations Division, War Department (Maddux) to the Department of State[30]

WASHINGTON, 4 October 1944.

Reference is made to your memorandum of 23 September 1944[31] transmitting a copy of a letter dated 1 September 1944 from Ambassador Messersmith to Mr. Joseph F. McGurk, Acting Deputy Director of the Office of American Republic Affairs.

The War Department is cognizant of the favorable reaction that would ensue should Mexican general officers be invited to visit an active theater of war. However, visits by Latin American general officers to various theaters have been and must continue to be discouraged, since such visits invariably place an additional burden on theater commanders and their staffs.

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[29] Neither printed.

[30] For the attention of Mr. Robert D. Longyear, Acting Assistant Chief of the Division of Foreign Activity Correlation.

[31] Not printed.

In connection with the above, at the request of General Luis Alamillo Flores, Mexican Military Attaché, the War Department provided for the reception in the Mediterranean Theater of six (6) Mexican staff officers in the grades of Lieutenant Colonel and Major. These officers were to be attached to American units as working staff members and provision was made for them to receive limited staff training prior to their departure overseas.

The Mexican Military Attaché was advised by letter dated 30 August 1944 that arrangements had been completed to receive the officers in question. To date no word has been forthcoming from the Office of the Mexican Military Attaché in regard to the arrival of these officers in the United States.

For the Secretary of War:
HAROLD R. MADDUX
Colonel, G.S.C.
Chief, Liaison Section, OPD, G.S.

740.0011 E.W./12–1944

Memorandum of Conversation, by the Ambassador to Mexico (Messersmith), Temporarily in Washington

[WASHINGTON,] December 19, 1944.

When I saw President Roosevelt today I told him that just before leaving Mexico City, the President of Mexico had discussed with me the final designation of Squadron 201, now in training in the United States. President Avila Camacho said that the Squadron would complete training on January 20, and was ready to proceed overseas. It was his understanding that we wished to send it to the European theater. I said that President Avila Camacho had most earnestly and strongly asked me to say to him that it was his desire and hope that the Mexican Squadron would not be sent to the European theater but to the Pacific theater. He asked me to recall to him that about two years ago President Quezon [32] had participated in a radio broadcast with President Roosevelt and with him in which radio broadcast President Roosevelt and he agreed to do all they could to free the Philippines from the Japanese. President Avila Camacho said that Mexico could do very little with one squadron, or even a dozen squadrons but it did mean a tremendous lot to the Mexican people to have their Squadron fight in the Pacific theater. He said it was not because Mexico was less interested in the war against Germany but it had

[32] Manuel L. Quezon, President of the Philippine Commonwealth, 1935–44.

sentimental reasons for wanting the Squadron to fight in the Pacific theater.

In addition to this promise to President Quezon, deceased, he had this high regard for General MacArthur,[33] whom he knew personally and it would be a tremendous satisfaction to him to have this Mexican Squadron do combat duty under the orders of General MacArthur.

The President of Mexico therefore asked that the Mexican Squadron be sent to the Pacific instead of the European theater.

I said that I had discussed this with General Arnold, the Chief of the Army Air Forces, and I had felt him very understanding and sympathetic towards this request of the President of Mexico. I said that General Arnold had indicated that if the President agreed he, General Arnold, would send a telegram to General MacArthur strongly recommending this matter. I said that such a telegram had been prepared by General Arnold and would be forwarded as soon as President Roosevelt indicated his approval.

President Roosevelt said that he thought the request of the President of Mexico was natural and he realized the reasons for which it was made and thought it desirable that it be carried through. He authorized me, as I had been in contact with General Arnold on the matter, to say to General Arnold that he considered the request of the President of Mexico justified and that he thought it was understandable under the circumstances and that it was his desire and hope that it would be carried through. The President said he hoped that General Arnold and General MacArthur would be prepared to agree to this assignment of the Squadron, as there should be any number of places in the Pacific theater where the Squadron could be used to advantage.

In accordance with the foregoing conversation with President Roosevelt and my conversation with General Arnold the preceding day, I telephoned to General Walsh [34] this afternoon to say that the President had expressed this wish and General Walsh said that the appropriate telegram would be forwarded.

There is appended hereto a copy of the telegram [35] which General Walsh indicated to me would be sent to General MacArthur.

G. S. M[ESSERSMITH]

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[33] Gen. Douglas MacArthur, Commander of the U. S. Armed Forces in the Far East.

[34] Maj. Gen. R. L. Walsh, U. S. Army Air Force.

[35] Draft telegram not printed. Telegram No. WAR–80442 was sent to General MacArthur December 21, 1944; not printed (740.0011 E.W./12–1944). Under date of January 2, 1945, General MacArthur indicated that he would be pleased to have this squadron assigned to his command.

OPERATIONS OF THE MEXICAN-AMERICAN COMMISSION FOR ECONOMIC COOPERATION[36]

812.50/508

Memorandum of Conversation, by the Ambassador to Mexico (Messersmith), Temporarily in Washington

[Extracts]

[WASHINGTON,] January 27, 1944.

Participants: Department of State: Ambassador Messersmith, Messrs. McGurk, Effland, and Bechhoefer
FEA: Messrs. Paul and Hansen
WPB: Messrs. Locke, Whitney, and Jacobsen
CIAA: Messrs. McKenna and Dudley Bonsal

The meeting was called at the request of Ambassador Messersmith for the purpose of presenting certain background information on the Joint Mexican-United States Commission for Economic Cooperation. The Ambassador set forth the background of the arrangements for the meeting between Presidents Roosevelt and Avila Camacho in Monterrey in April, 1943,[37] and said that during that meeting the two Presidents had agreed upon the establishment of the above-mentioned Commission. He said that the Presidents fully discussed the importance of the relationships between Mexico and the United States for the present and in the post-war period in the political and economic field. The two Presidents were convinced and so expressed themselves of the necessity for the closest collaboration in the political and economic field by both countries.

The President of Mexico stated in these conversations that the program of the Mexican Government was, first, development of her industrial economy; second, development of her agriculture; third, development of her communications systems; and fourth, improvement in health, sanitation and education, as these were a fundamental basis for any improvement in the industrial and economic situation.

The President of Mexico further emphasized the desire of Mexico for the present and in the post-war period to collaborate in the closest possible way with the United States and to coordinate her industry and agriculture with that of the United States so far as this is possible.

The Ambassador said that the Commission was the initiative of the two Presidents in order that problems in the industrial and agricultural development of the two countries could be studied and the Ambassador pointed out how important it was that so far as the economies

[36] For previous correspondence, see *Foreign Relations*, 1943, vol. VI, pp. 417 ff.
[37] See press release issued by the Department of State, April 29, 1943, *Foreign Relations*, 1943, vol. VI, p. 417.

of the two countries were concerned problems of this kind could be mutually discussed by the two countries through this Commission rather than by unilateral action.

The first Commission, which was one of inquiry, completed its work in several months and at the close of its work a well prepared and sound report was submitted to both Governments and accepted by them and on the basis of this report it was decided by both Governments, with the approval of the two Presidents, to organize the now existing Joint Mexican-United States Commission for Economic Cooperation. It was the understanding of the two Presidents in their conversations at Monterrey and continuously that when any sound industrial projects were approved for development in Mexico by the Mexican and United States Sections of the Joint Economic Commission that the materials for such projects should fall without the regular allocations for Mexico for her minimum needs. The Ambassador pointed out that such a decision on the part of the two Presidents was only natural for without such a decision as a basic principle no progress could be made in the industrialization of Mexico during the period of the war or during such period after the war when controls of materials may still exist. It was therefore essential that it be accepted as a basic principle by all agencies of our Government concerned that such allocations of materials for approved projects by the Commission should fall without the regular allocations for the minimum needs of the Mexican economy.

The Ambassador pointed out that soon after the Commission started functioning an instruction was issued to the Embassy in Mexico indicating that in the sphere of the agencies concerned of our Government all materials for such approved projects by the Commission would have to fall within the allocations of materials for the minimum needs of Mexico. The Ambassador pointed out that although he had not formally communicated this to the Mexican Government the information had reached the Mexican Government through sources in Washington and it had caused consternation in Mexico as it was obvious that under such circumstances the Commission's work would be almost entirely impaired. The Ambassador said that the President of Mexico had spoken to him about this and indicated that the whole program of economic collaboration between the two countries, including the work of the Commission, would be impaired if such principle were carried through and if the original decision of the two Presidents above stated was not adhered to. The Ambassador stated that he had therefore made this trip to Washington [38] particularly

[38] The Ambassador had arrived in Washington on January 13. and he returned to Mexico City on February 10.

for the purpose of discussing this matter with the appropriate officials of our Government.

The Ambassador stated that after he had discussed the matter fully with Secretary Hull the Secretary was in agreement that the original thought of the two Presidents in setting up the Commission must be carried through and he gave his approval to the Ambassador discussing this matter with the President. The Ambassador said he had talked the matter over with President Roosevelt in the last days, who had indicated that it was correct that it was the understanding of the two Presidents in setting up the Commission that materials for approved projects by the Commission should be allocated outside of the regular allocations for the needs of the minimum economy of Mexico.

The President indicated the importance which he laid to the work of this Commission as a part of our relationships with Mexico and the necessity for the Commission being able to function adequately and for other agencies of our Government collaborating with it in its important task.

There was then held a meeting in the office of Secretary Hull at which were present Mr. Donald Nelson, the head of the War Production Board, Mr. Leo Crowley, the head of the Foreign Economic Administration, Mr. Stettinius, the Under Secretary, and Mr. Messersmith. The Ambassador said that during that meeting the Secretary had briefly set forth the objectives of the Commission and then had asked him to give the background in full which he had done.

. . . . . .

Mr. Donald Nelson and Mr. Crowley were fully in accord with all that was said and indicated to Mr. Hull that the ideas expressed followed their own line of thought and that in their opinion the work of the Commission must be facilitated. They said that it would be impossible to consider that all allocations for materials for approved projects by the Commission must fall within the regular allocations of Mexico for her minimum needs. They said that so far as the exigencies of the war permitted and as rapidly as possible projects approved by the Commission must get the most favorable treatment by the War Production Board and the Foreign Economic Administration. Both Mr. Nelson and Mr. Crowley expressed themselves fully understanding of the importance of Mexico to us for the present and for the future and the necessity of considering her industrial and agricultural development in the most favorable manner possible and their stimulating and facilitating it. They said that their respective agencies within the means in their power would lend their full collaboration to this program.

As a result of this meeting Mr. Nelson named three people in the War Production Board to give attention to this matter and Mr.

Crowley did the same for the Foreign Economic Administration. The meeting now held and which is the subject of this memorandum was for the purpose of giving further background. The Ambassador said that Mr. Dudley Bonsal had been named by the American Section of the Commission to work for it in Washington in conjunction with the Department of State and with other agencies of our Government, including the War Production Board and the Foreign Economic Administration. Mr. Bonsal's duty would be to aid here in Washington as far as possible the Mexican Section in bringing about an implementation of its recommendations.

. . . . . .

G. S. MESSERSMITH

812.50/477a : Airgram

The Acting Secretary of State to the Ambassador in Mexico (Messersmith)

WASHINGTON, February 26, 1944—6 : 15 p. m.

A–395. At a meeting of the Mexican-American Commission on Saturday, February 12, a resolution was considered which stated that "in the opinion of this Commission, the projects contained in the list presented by the chairman constitute essential parts of a minimum program for Mexico's economic development during the year 1944". Previously 13 projects had been listed, among them, Celanese, Attentique, Guanos y Fertilizantes. This resolution apparently indicates that the Commission approves each of the listed projects despite the fact that certain projects have not formally been submitted by the Mexican section to the American section of the Commission nor has information been transmitted on them to the Department or the resident Commissioners.[39] It is quite possible that certain of the projects should not be approved as they may conflict with our commercial policy. While it is desirable to outline a program in advance, it is not considered desirable to approve projects as a group unless each project has previously been considered on its own merits. The procedure outlined in the Department's instruction no. 4872 of December 3, 1943 [40] for the consideration of projects should be followed in each instance prior to approval by the Commission for otherwise the Department is not accorded the opportunity to review contemplated projects or programs from the point of view of commercial policy.

STETTINIUS

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[39] Thomas H. Lockett, Counselor of Embassy for Economic Affairs in Mexico, and Wayne C. Taylor, Washington Commissioner.

[40] Not printed.

812.50/481 : Airgram

The Ambassador in Mexico (Messersmith) to the Secretary of State

MÉXICO, D.F., March 9, 1944—11 a. m.
[Received March 11—6 p. m.]

A–742. I have to refer to the Department's airgram A–395 of February 26, 1944, with reference to the February 11th [*12th*] resolution of the Mexican-United States Commission for Economic Cooperation with reference to a minimum program for Mexico's economic development during the year 1944.

Mr. Lockett, the Resident Member of the Commission, and I gave this airgram very careful consideration. While we realize fully the considerations which the Department has in mind, Mr. Lockett and I are of the opinion that the Commission, in approving in general terms the minimum program covered by the resolution of February 11 [*12*], was proceeding along wise and sound lines and that such a resolution is necessary in order to give practical effect to the program and the work of the Commission. The War Production Board and the Foreign Economic Administration have indicated their willingness to collaborate with the Economic Commission in the important task before it and they have shown their understanding of the importance of the work of the Commission in Mexican-American relationships. As Mr. Nelson of the War Production Board and Mr. Crowley of the Foreign Economic Administration have wisely and properly pointed out, all such work of the Commission required careful global planning and that these two agencies of our Government which have to do with the allocation of materials have to know well in advance the plans of the Commission in order that these two agencies may be in a position to take these plans into account in their own planning on the broader and wider scale which is their function and obligation. Mr. Lockett and I are of the opinion, therefore, that the Commission in making this global program for 1944 has acted wisely and with consideration, even though some of the projects included in the global program approved have not been given full study in all of their aspects, which is necessary. The projects, however, included in the global program recommended are all sound projects and there is a sound reason for the inclusion of every one in the global program. This approval of the global program does not preclude nor exclude further consideration, by both the Mexican and American sections of the Commission and of the Commission as a whole, or by the Department, or by agencies of our Government concerned, of certain phases of the individual projects included in the global program recommended.

It is the opinion, therefore, of Mr. Lockett and myself that the approval of the global program by the Commission does not exclude the further examination of particular phases of the individual proj-

ects which in some cases will undoubtedly be necessary and in some desirable.

In view of the possibility, however, that this resolution might be misconstrued by the Mexican section, Messrs. Lockett and Patterson [41] of the Embassy, and Messrs. Bonsal [42] and Machold [43] met with Mr. Villa Michel, the Chairman of the Commission, on March 2. Mr. Lockett informed Mr. Villa Michel that following approval of the minimum program, the projects embraced therein which had not already been approved by the Commission should be submitted promptly through established channels for clearance of Commission projects. Mr. Villa Michel indicated his complete understanding of this procedure. Consequently, each project approved by the Mexican Section will be passed to the American Section for study. The American Section will make a preliminary report to Washington requesting instructions before any final approval or rejection is given to the Mexican Section. In other words, in this respect the procedure of the Commission will not be changed, and the Department of State, and the American Commissioners in Washington, and the licensing authorities of our Government, will have every opportunity to study every phase of each individual project before the Commission takes final action, even though the project may be included in the global program recommended by the Commission.

Subsequent to the conversation with Mr. Villa Michel, the Chairman of the Commission, on March 2 above referred to, Messrs. Lockett, Bonsal and Machold had a further opportunity to discuss this matter with Mr. Villa Michel and there is complete understanding by the Mexican members of the Commission [44] of the foregoing.

MESSERSMITH

812.50/494b

The Secretary of State to the Chairman of the War Production Board (Nelson) [45]

WASHINGTON, March 31, 1944.

MY DEAR MR. NELSON: The Mexican-American Commission for Economic Cooperation has presented to the Department of State a "Minimum 1944 Program" of projects for industrial expansion. This list

[41] A. W. Patterson, Secretary of the American Section of the Commission.

[42] Dudley B. Bonsal, Executive Secretary of the Washington office of the Commission.

[43] William F. Machold, Special Representative in Mexico of the American Commissioners in Washington, Nelson A. Rockefeller and Wayne C. Taylor.

[44] Villa Michel, Salvador Ugarte, and Evarista Araiza.

[45] This letter sent also, *mutatis mutandis*, to Leo T. Crowley, Foreign Economic Administrator.

was compiled as a result of a series of conferences which took place during the recent visit of Ambassador Messersmith to Washington and in which representatives of the War Production Board participated. The objective in mind in preparing this program was to furnish the appropriate agencies of this Government with an approximation of the material requirements of the 1944 program of the Commission. I am informed that the list together with the accompanying statement of the Commission has already been submitted informally to the War Production Board and also to the Foreign Economic Administration.

You are undoubtedly familiar with the background and objectives of the Mexican-American Commission for Economic Cooperation, and likewise with the economic problems which confront Mexico at this time. Additional problems will surely arise with the anticipated curtailment of our procurement program of strategic materials. The Mexican-American Commission is attempting through programs of an economic character to aid in the solution of these problems.

Therefore, the Department approves of the general program of the Commission for 1944 and recommends that the production and export of materials and equipment necessary for the various projects be authorized as soon as possible without interference with the war effort. In making this recommendation, the Department is largely influenced by the fact that a failure to make substantial progress during 1944 towards the realization of this program might have unfortunate political consequences in Mexico which would adversely affect Mexican-American relations.

The Department, while approving the program submitted by the Commission, desires to indicate that should circumstances arise in which other countries seek treatment similar to that accorded Mexico in the implementation of this program with respect to materials and equipment in short supply, they should be treated on a basis of equality if they have subscribed to and abided by the resolutions adopted at the third meeting of the Ministers of Foreign Affairs of the American republics at Rio de Janeiro on January 28, 1942.[46]

It is suggested that where the projects cannot be implemented now, they be approved and given a deferred rating status which will permit the production of the necessary materials and equipment as soon as possible. In connection with the suggested procedure of a deferred rating, I refer you to my letter of March 25, 1944.[47]

[46] For texts of resolutions, see Department of State *Bulletin*, February 7, 1942, pp. 117–141. For correspondence on this meeting, see *Foreign Relations*, 1942, vol. v, pp. 6 ff.

[47] Not printed.

It should be noted that a substantial number of the projects listed in the Commission's program have already been approved and the materials and equipment scheduled for production. It is hoped that the remaining projects will at least be approved in principle by the appropriate war agencies and that adequate supply assistance will be granted as soon as practicable in view of the war effort.

Sincerely yours, CORDELL HULL

812.50/557

The Chairman of the War Production Board (Nelson) to the Secretary of State

WASHINGTON, April 24, 1944.

MY DEAR MR. SECRETARY: Thank you for your letter of March 31st, in which you endorse in principle the "Minimum 1944 Program" for Mexico, developed by the Mexican-American Commission for Economic Cooperation.

In that connection, I am pleased to enclose herewith copy of my letter of today's date to the Foreign Economic Administrator, together with the report referred to therein.[48] I believe that the action we have taken, or are prepared to take as indicated in that report, meets your recommendation that the production and export of materials and equipment for the various projects be authorized as soon as possible without interference with the war effort.

You state in your letter that, "should circumstances arise in which other countries seek treatment similar to that accorded Mexico in the implementation of this program with respect to materials and equipment in short supply, they should be treated on a basis of equality if they have subscribed to and abided by the resolutions adopted at the third meeting of the Ministers of Foreign Affairs of the American Republics at Rio de Janeiro on January 28, 1942." In that respect, let me say that it has always been our practice to treat such other countries on a basis of equality with each other. I assure you that the same consideration given the Mexican program will also be given to well thought out and balanced programs of other friendly countries to the maximum extent consistent with the demands of our war effort on both the fighting and home fronts, and within the limitations of the plan outlined in our recent exchange of letters [49] regarding deferred ratings for worthy foreign projects.

Sincerely, DONALD M. NELSON

[48] Neither printed.

[49] Letter dated March 25, from Secretary Hull to Mr. Nelson, and reply dated April 19; neither printed.

812.50/5-2344

The Deputy Director of the Office of American Republic Affairs (Bonsal) to the Director of the Office (Duggan)

SANTIAGO, May 10, 1944.

DEAR LARRY: During the course of my stay in Mexico [50] I had a number of conversations with the Ambassador, with Tom Lockett and with my brother [51] regarding the Mexico-United States Economic Commission. These conversations have covered a very wide range of matters, both theoretical and practical, in connection with the Commission. I am summarizing below what I understand to be the conclusions which have been reached, and I am showing this letter to the Ambassador before sending it:

1. It is important that the favorable position taken by the Department, the WPB and the FEA with regard to the so-called Minimum Program for 1944 be maintained and strengthened.

2. Under present circumstances it is important that the Mexicans continue to feel that we regard the Commission with favor and that we are disposed to extend cooperation, within the limits of our own situation, to Mexican industrial projects which appear economically sound. It would be highly undesirable for the doubts which have been expressed by certain persons in the Department as to the desirability of continuing the Commission to become known to the Mexicans. (I myself believe that, while a good case on certain grounds could be made out for dropping the Commission on the basis that it has fulfilled the function for which it was created, such a step would be disastrous at this time in view of the general feeling of doubt here as to our future policy.)

3. It is important that the Commission not submit for the approval and support of the Department and of other agencies in Washington any projects or programs which might conflict with the general commercial policy of the United States (i.e., lowering of trade barriers) or which might give rise to controversy in this connection. In consequence it appears advisable for the Commission, acting as a joint inter-governmental body, merely to present specific projects which appear to be good prospects of getting through the Washington machinery within the immediate or relatively near future, avoiding the presentation of broad or long-range industrial projects. This does not mean that it would not be desirable for Mexico to have a long-range industrial program. The drawing up of such a program, however, should primarily be the responsibility of the Mexican Government, acting, if it desires to do so, through the Mexican section of the Commission and using such technical aid as the American section may wish to furnish. However, the American section, representing as it does the Government of the United States, should not be asked to approve such a broad program nor should it present such a program for the approval of the State Department and of other agencies in Washington.

[50] Mr. Bonsal arrived in Mexico April 13, 1944, on the first stage of a visit to several Central and South American Republics.

[51] Dudley B. Bonsal.

The Ambassador has some reservations regarding numbered paragraph 3 above. However, I thought I was able to give him a sufficiently good picture of the practical situation in Washington so that he will exert his influence in the direction of preventing the Commission from pushing plans or programs which are apt to get bogged down in theoretical controversies at home.

With warm regards,

Sincerely yours, PHIL

812.50/8–2444

President Roosevelt to the President of Mexico (Avila Camacho)

WASHINGTON, May 11, 1944.

MY DEAR MR. PRESIDENT: It is with great pleasure that I have received a report prepared by the War Production Board on the 1944 Program of Industrial Projects for Mexico,[52] as developed by the Mexican-American Commission for Economic Cooperation. This report is a concrete expression of the broad economic strategy on which you and I agreed during our meeting at Monterrey in April 1943, and subsequently when we took action to establish the Commission. The 1944 program is a carefully planned and realistic step toward strengthening the Mexican economy, and it is clear that improved conditions in Mexico will in turn strengthen the overall war effort of the United Nations. It is a source of great satisfaction to me, as I am sure it is to you, to see this tangible proof of the esteem and close economic ties that underlie the military alliance of our two countries.

Now that the 1944 program has been approved and the preparation of a longer range program is well advanced, a closer first-hand exchange of views between your Government and the War Production Board would be of benefit. To this end, I have asked Mr. Donald M. Nelson, Chairman of the Board, to visit Mexico. Mr. Nelson has been working in close cooperation with the Secretary of State, the Foreign Economic Administrator and the Coordinator for Inter-American Affairs of this Government,[53] and is in a position to discuss the sound development of the economic relations between our two governments, and to crystallize further the broad concept outlined at Monterrey.

I have asked Mr. Nelson to hand this letter to you, and I want to use this opportunity to convey at the same time my high and warm regard and best wishes, both for your country and for you personally.

Very sincerely yours, FRANKLIN D. ROOSEVELT

[52] Not found in Department files.

[53] Nelson A. Rockefeller.

812.50/6–1244

The Secretary of State to the Executive Secretary of the Executive Committee on Economic Foreign Policy (Carr)

WASHINGTON, June 28, 1944.

MY DEAR MR. CARR: I wish to acknowledge the receipt of a letter dated June 12, 1944 [54] that was sent to you by Mr. Arthur Paul, Chairman of the Sub-Committee on Inter-American Economic Development, requesting a statement of the objectives which led to the establishment of the Mexican-American Commission for Economic Cooperation, and making a further specific inquiry whether preferential treatment for Mexico was one of the considerations which motivated the Commission's formation.

It is clear to the Department that the intended function of the Mexican-American Commission was, essentially, to study (1) the repercussions on Mexico's economy of a high level of exports, and a large inward capital movement, at a time when the war had restricted imports of goods, and (2) the inflationary situation in Mexico arising from increased peso holdings and incomes, and failure of the supply of goods (domestic or imported) to keep pace with this increase. As a result of such study, a program for economic cooperation was to be formulated, having in mind particularly the maintenance and possible increase of the production of strategic materials by Mexico.

With respect to your inquiry on behalf of the Committee as to "whether preferential treatment for Mexico was one of the considerations which motivated the Commission's formation", it is the Department's view that this could not have been a consideration as it would have been in direct conflict with this Government's long-standing and consistent position that the principle of equality of treatment is the basis of all acceptable commercial policy.

The records available to the Department of State do not indicate that the question of preferential treatment for Mexico (as compared to the other American republics) was raised or considered at any time during the period in which the formation of the Mexican-American Commission for Economic Cooperation was under discussion.

I trust that this information will give adequate explanation to the members of the sub-committee as to the policy of this Government. This policy was publicly set forth in the statements made by responsible officials of this Government at the time of the adoption of the third resolution of the Consultative Meeting of Ministers of Foreign Affairs of the American Republics held at Rio de Janeiro in 1942. The resolution entitled "Maintenance of the Internal Economy of the American Countries" recommended *inter alia* that "all the nations of this

[54] Not printed.

continent have access, with the greatest possible degree of equality, to inter-American commerce and to the raw materials which they require for the satisfactory and prosperous development of their respective economies, provided, however, that they shall give preferential treatment to the nations at war for equal access to materials essential to their defense; and that, in agreements which may be concluded, the essential needs of other American countries be considered with a view to preventing dislocations in their domestic economies."

This long-established practice of this Government and the multilateral commitments which the United States and the Mexican Governments have entered into, would preclude this Government taking any action which would grant to Mexico, or to any other of the American republics, treatment in the supplying of equipment or machinery on any basis other than that of equality of treatment.

Sincerely yours, For the Secretary of State:
HARRY C. HAWKINS
Director, Office of Economic Affairs

812.50/10–644

The President of Mexico (Avila Camacho) to President Roosevelt

[Translation]

MEXICO CITY, September 6, 1944.

MY DEAR MR. PRESIDENT: I take great pleasure in acknowledging receipt of your kind letter of May 11 last which was to have been delivered to me by Mr. Donald M. Nelson, Chairman of the War Production Board, who, because of the commission which you decided to entrust to him in China,[55] was obliged to postpone his visit to this capital.

Considering the exceedingly high opinion which I, as well as my immediate collaborators, have formed of the notable personality of Mr. Nelson, I trust that, upon his return from China, you will decide to reiterate your recommendation that he come to Mexico, since I am firmly convinced that his visit will be truly beneficial to the development of economic ties between our two countries.

In regard to these, I am sincerely pleased that our opinions regarding the work of the Mexican-American Commission for Economic Cooperation coincide. Like you, I am convinced that this organization—interpreting, with a realistic spirit, the plans which, on this subject, we formulated in complete agreement when I had the pleasure of receiving you in Monterrey—has realized a magnificent work which

[55] A confidential mission involving the survey of China's war-production potential and assistance in establishing a Chinese War Production Board, preparatory to the stepping up of major military operations in the Far East.

makes it possible to view with optimism its labors on behalf of commercial intercourse between our two republics.

I desire, at the same time, to take this opportunity to congratulate you, in your capacity as Commander in Chief of the American armed forces, for the splendid victories which they have obtained not only in Europe but also in the Pacific, and that not only correspond to the justice of the cause of the United States but also are a clear demonstration of the decisive manner in which the American nation is defending the most noble principles of our civilization.

With my best wishes for the growing prosperity of the United States and for your personal well-being, I take pleasure in assuring you of my unchanging friendship.

M. Avila Camacho

812.24/11–1744

The Ambassador in Mexico (Messersmith) to the Secretary of State

[Extracts]

No. 21,390 México, D.F., November 17, 1944.
[Received November 23.]

Sir: I have the honor to place before the Department for its consideration a matter of prime importance to the success of the Mexican-American Commission for Economic Cooperation and which will determine in a large measure whether or not the Mexicans will judge the Commission as a success or a partial failure. At a time when the work of the Commission is on the verge of drawing to a close, it would be very unfortunate for us to permit the failure to grant two priorities on Commission projects to deprive us of the good will and real benefits of the effective work which has been done by the Commission.

The Department is quite familiar with the procedure of the Commission which established the Minimum Program for 1944 containing twenty-one projects. This program was approved by the Department, the War Production Board and the Foreign Economic Administration. The authorities of these departments are to be very highly complimented on the effective cooperation which they have given the Commission and which allowed all 1944 Minimum Program projects to receive satisfactory priorities with the exception of two. These two exceptions are the Celanese and Jorge Luis Baz Textile projects, and they are both extremely important from the Mexican point of view. Earlier in the year the War Production Board indicated that it would probably be in position to rate the two projects in September of this year, but as that was not done, they have remained pending.

In the meantime, word has been received by the Embassy and the Commission of the new policy of the War Production Board whereby projects not directly connected with the war effort will not be considered for priorities. As a result, Celanese and Baz still remain without priorities, and the Mexican importers have been advised to place their unrated orders with United States manufacturers on the best possible commercial basis. In the case of the Baz Textile project, the owner was informed by the manufacturers of textile machinery that delivery could not be expected before late 1945 or early 1946 because the backlog of priority orders and unrated orders would not permit earlier despatch.

The Resident Commissioner of the Mexican-American Commission for Economic Cooperation is writing a report to the two Washington Commissioners, wherein he recommends, after full consultation with and approval of the Ambassador, and Mr. Machold, the resident representative of Messrs. Rockefeller and Taylor, that the work of the Commission be terminated and the Commission itself dissolved after a report of its activities has been prepared and submitted to the two Presidents. This recommendation is being made because the Mexican members of the Commission have from the beginning viewed the effectiveness of the Commission by its success in securing licenses and priorities for Mexican importers. The Ambassador, the Mexican Commissioners, Mr. Machold, as representative of the Washington Commissioners, and the Commissioner resident in Mexico fully realize that the new policy of the War Production Board in not rating projects not directly connected with the war effort will eliminate practical assistance which might be given by the Commission to Mexican importers and, therefore, the Mexicans will sidestep the Commission and go direct to United States manufacturers.

Under the circumstances, the Ambassador, the Mexican Commissioners, Mr. Machold and the Resident Commissioner have reached the conclusion that it would be better to terminate the activities of the Commission after delivery of the report of its accomplishments to the two Presidents. The President of the Commission, Licenciado Primo Villa Michel, is now conferring with the President of the Republic and the Foreign Minister in order to make the foregoing suggestion to them. But, the principal accomplishment of the Commission is the 1944 Minimum Program, and the Commission feels that its responsibilities under that program will not be fulfilled until the two remaining projects are given a priority rating by the War Production Board. The President of the Republic has talked to the Ambassador on several occasions concerning his interest in the Celanese project. His interest in it is not personal, but due to his belief that Mexico urgently needs such an industry. There are prominent industrialists and government

officials who are personal investors in the project and, therefore, the failure to receive a priority would destroy much of the good will which has been created by the Commission. The Baz Textile project is somewhat in the same status, and the reaction against the Commission would be quite strong if we should fail to rate this and the Celanese projects.

. . . . . .

Therefore, the Department is urgently requested to use its full weight and influence with the War Production Board in order that the two remaining projects of the 1944 Minimum Program may receive a priority rating from the War Production Board. Such action would permit the Commission to make its report to the two Presidents on the basis that its primary work had been successfully completed with every project in the Minimum Program having received a favorable priority. This announcement will make a favorable and lasting impression upon the Mexican people and permit the United States to receive the credit and good will which it deserves through a fuller appreciation and understanding by the Mexican people of the accomplishments of the Commission. The Mexican Commissioners and Government officials, including the President of the Republic, feel that the Commission has been a success. Their prime interest has rested in the completion of the 1944 Minimum Program. After all the work and effort which our Government has given to this Commission, we should not be robbed of its richest fruits by our failure to give priorities to the two remaining projects of the 1944 Minimum Program, the Celanese and the Baz Textile projects. It would not be keeping the faith with the two Presidents if everything possible is not done to bring the work of the Commission to the most successful and beneficial conclusion possible. Under the circumstances, the Department is asked to lend its most potent assistance in aiding the Commission to obtain the two priorities in question and, thus, conclude successfully its work.[56]

Respectfully yours,

For the Ambassador:
THOMAS H. LOCKETT
Counselor of Embassy
for Economic Affairs

[56] In a letter of December 6, 1944, the Secretary of State requested supply assistance from the War Production Board for the Celanese and the Baz Textile projects. In his reply of December 28, Mr. J. A. Krug, Chairman, War Production Board, explained to the Secretary of State his inability to assign priority ratings to these two projects, but assured him that efforts were being made through textile manufacturers to give these requests special preference among unrated orders. (812.24/12–2844).

For the concluding exchange of letters concerning the Commission between Presidents Roosevelt and Avila Camacho, both dated January 20, 1945, and for text of the final report of the Commission, dated January 1945, see Department of State *Bulletin*, February 4, 1945, pp. 155 ff.

EFFORTS BY THE UNITED STATES TO FORESTALL INCREASES IN MEXICAN IMPORT RESTRICTIONS

612.113/267a

The Department of State to the Mexican Embassy

MEMORANDUM

The Government of the United States has noted with great regret the recent action of the Mexican Government, as published in the *Diario Oficial* of December 18, 1943, in providing for a sweeping upward revision of Mexican tariff rates, to become effective January 18, 1944. It is of course recognized that none of the duty increases appears to affect items included in Schedule I of the trade agreement between the United States and Mexico.[57] Nevertheless, in the opinion of the Government of the United States, the action taken is contrary to the spirit of the agreement, and it is a source of deep concern that, at a time when every effort should be made to reduce barriers to trade looking toward a necessary expansion of international commerce after the war, the Government of Mexico has seen fit to institute a program of duty increases which will affect adversely the trade between the two countries.

If this action was taken primarily with a view to diversifying and stimulating the industrial development of Mexico, it must be pointed out that while the Government of the United States has adopted a sympathetic attitude toward, and has cooperated in, such development, this has assumed it being on a sound economic basis without high tariff protection.

In a larger sense, this action of the Mexican Government is contrary to the broad United Nations post-war objectives for reduction of trade barriers both as a desirable end in itself and as a necessary contribution to a solution of the basic problem of international security. Sweeping increases in tariffs and other trade barriers by one country create a very real danger of similar actions by other countries, which can finally result in international trade warfare.

WASHINGTON, January 14, 1944.

612.113/266 : Airgram

The Chargé in Mexico (Bursley) to the Secretary of State

MEXICO CITY, January 15, 1944—11 a. m.
[Received January 18—11 a. m.]

A–171. At my request Lockett [58] saw Finance Minister Suárez on January 14 as a result of my telephone conversation with Mr. Harry

[57] For text of the reciprocal trade agreement signed at Washington, December 23, 1942, see Department of State Executive Agreement Series No. 311, or 57 Stat. (pt. 2) 833. For correspondence concerning the negotiation of this agreement, see *Foreign Relations*, 1942, vol. VI, pp. 489 ff.

[58] Thomas H. Lockett, Counselor of Embassy for Economic Affairs in Mexico.

Hawkins,[59] in which he stated the attitude of our Government and requested that there be at least a postponement in the effective date of the proposed tariff increase. At the same time I discussed the same subject with Tello [60] at the Foreign Office, explaining fully the contents of my conversation with Mr. Hawkins. Tello telephoned to Suárez while Lockett was presenting the matter to the latter. Suárez informed Lockett that the proposed increase in tariffs was for revenue only and formed a part of his plan to halt inflation. He said he had requested Silva Herzog [61] to study carefully the entire Mexican tariff and increase duties on practically all items of any importance not included in the Trade Treaty. Suárez stated this was done to avoid violating any commitments with our government and that he chose this form of taxation because of its easy enforcement and in order to take additional funds from circulation. After explaining to Suárez that such a sweeping increase in import duties would seriously affect the trade relationships between our two countries, he said he understood the situation in which it would place our government with reference to other Central and South American countries and therefore he was willing to cooperate with us as far as possible but he emphasized that our government should cooperate with him more fully in helping to solve inflation in Mexico. Lockett told him that the Ambassador [62] was also in attendance at the conference with the Secretary in Washington and sent the message that he hoped a deferment in the effective date of the decree would be agreed to by Mr. Suárez.

Suárez said he would recommend to the President [63] that the effective date of the decree be postponed 15 days but Lockett requested additional time and he agreed to 30 days. He said he would see the President over the week-end and would advise Lockett or myself of the results not later than Monday.[64]

With Suárez' recommendation for a 30-day postponement it is believed that the President will concur as indicated to Mr. McGurk [65] over the telephone today. Suárez emphasized that he wished to cooperate with us in this matter of tariff increases, but that the price situation in Mexico is continuing to give the President greater concern, and therefore he requested that there be conversations with officials of our government, with a view to securing greater cooperation along any line that would aid him in his efforts to curb inflation.

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[59] Chief of the Division of Commercial Policy and Agreements; on January 15 he became Director of the Office of Economic Affairs.

[60] J. Manuel Tello, Under Secretary for Foreign Affairs.

[61] Jesús Silva Herzog, Director of Financial Studies, Ministry of Finance and Public Credit.

[62] George S. Messersmith, Ambassador to Mexico.

[63] Manuel Avila Camacho.

[64] January 17.

[65] Joseph F. McGurk, Chief of the Division of Mexican Affairs.

In this respect he particularly mentioned the exportation of more goods to Mexico in order to better supply the market and withdraw dollars. He was informed that every indication pointed to a greater flow of exports from the United States during this year.

I will advise the Department immediately upon receipt of Mr. Suárez' final answer, and await instructions from the Department with reference to exploring further the matter of cooperation which Mr. Suárez emphasized.

HERBERT S. BURSLEY

612.113/273a

The Secretary of State to the Chargé in Mexico (Bursley)

No. 5218 WASHINGTON, February 1, 1944.

SIR: Reference is made to the decree of the Mexican Government which appeared in the *Diario Oficial* of December 18, 1943 providing, among other things, for increased import duties on some 600 products, to become effective January 17, 1944, and the subsequent action of the Mexican Government, at the request of this Government, in postponing for thirty days the effective date of the decree in order to permit an opportunity for consultation between the two Governments.

You are requested to discuss the matter further with the appropriate Mexican officials. The objective of your discussion should be the withdrawal of the decree permanently for the basic reasons outlined in the enclosed copy of the Department's memorandum which was handed to the Mexican Embassy on January 14. It is anticipated, of course, that the Mexican authorities will resist such a suggestion, and you may therefore present the reasons set forth below for your position.

With regard to the reference by the Mexican Minister of Finance to the need for increased revenue as a reason for the tariff increases, you may point out that this Government naturally would not attempt to indicate what methods the Mexican Government should adopt to increase its revenues. It is of direct concern to this Government, however, when the Mexican Government adopts measures to that end which would have an important effect on the trade between the two countries. It is therefore the hope of your Government that the Mexican Government will be able to find alternative sources for any increased revenues which are desired.

With regard to the statements by the Finance Minister that the tariff increases have been promulgated as an anti-inflation measure, you may point out discreetly that this Government cannot share this view; on the contrary, by making imported goods more expensive and less easy to obtain, the tariff increases would appear to have exactly

the opposite effect. Anything the Mexican Government might do to facilitate the entry of products into consumption channels, by curbing price increases and reducing or at least maintaining tariff rates, would assist in absorbing excess amounts of domestic currency or foreign exchange. You may also refer in this connection to the positive efforts which have been made by this Government to provide as large as possible a supply of goods to Mexico under present conditions and of our intention to make available to Mexico increasing amounts of merchandise. There is enclosed a memorandum prepared in the Department which discusses these points, on which you may wish to draw for support in your discussions.

In general in relation to the inflation problem in Mexico, you may assure the Mexican officials that, in addition to making every effort to eliminate export restrictions as rapidly as possible in order to make more goods available to Mexico, this Government would be glad to do everything possible to facilitate further discussions and action looking to the adoption of effective anti-inflation measures. Such discussions probably could not be concluded prior to the expiration of the thirty-day postponement period of the tariff decree, but if the Mexican Government were willing to withdraw the decree permanently, or at least postpone its effective date for another period of, for example, ninety days, that Government could be assured of this Government's full cooperation in helping to solve the inflation problem.

The Department expects to send to you within the next few days further information regarding exports to Mexico which should be of assistance to you.

Please continue to keep the Department currently informed of the results of your conversations.

Very truly yours, For the Secretary of State:
DEAN ACHESON

[Enclosure]

Memorandum Prepared in the Department of State

JANUARY 29, 1944.

During the past four months, many changes have occurred in the supply situation in the United States. While certain items such as textiles and foods have become scarcer than ever, other commodities and materials, as a result of the completion of war expansion, are in more abundant supply. As a result, it has been possible to relax some of the most burdensome controls of exports.

Undoubtedly, the complexity of export controls has had a discouraging effect on exports and has restricted exports even beyond the restrictions which were necessary as a result of supply conditions.

Since the autumn of 1943, all of the agencies concerned with exports have realized the necessity of simplifying procedures and diminishing controls. The progress that has been made in this direction can best be shown: first, through indicating the specific procedural steps taken at the Foreign Economic Administration and the War Production Board to simplify and relax export control; and second, through citing certain specific examples of Mexican projects which have been granted during the past several months and which could not have received serious consideration at an earlier date.

Undoubtedly, some time must elapse before the full effect of the simplifications and relaxations will be translated into export statistics. There are three reasons for this:

1. It takes time for the importers to realize that they will now be in a position to order items which formerly they could not secure.
2. It takes time for the exporters to fill the orders which they receive from the importers.
3. The statistics are not available until several months after the exports have taken place.

It is anticipated, however, that there will be a considerable increase in exports to Mexico during the year 1944. It is believed that this increase has already begun and will become more pronounced later in the year. The procedural simplifications and relaxations are as follows:

[Here follows an outline of procedural simplifications and relaxations authorized by the Foreign Economic Administration in *Current Export Bulletins* Nos. 128, 129, 130, 135, 139, and 140 during the past 4 months.] [65a]

It is anticipated that in the near future the export of certain repair parts will be authorized under general license to destinations close to the American border upon certification of the American Consul at one of the border cities.

While it is true that it has been necessary to revoke the general licenses applicable to certain food products and certain textiles on account of increasingly critical supply situation in the United States, nevertheless, the general trend has been towards relaxation of export controls and towards simplification of the remaining controls. Further evidence of this tendency may be found in the important projects for Mexico which have been licensed during the past four or five months. A list of the most important of these projects, together with materials which must be exported from the United States is attached hereto.[66]

[65a] See Foreign Economic Administration, Office of International Trade, Export Operations Division, *Current Export Bulletins*, vol. I, Nos. 1–199.

[66] Not printed.

It is believed that these projects will have a profound effect upon the economy of Mexico. Many new industries producing consumer's goods from materials which are plentiful in Mexico would have been started long ago if it had not been for power shortages in the most important cities. With the elimination of these power shortages and with the increased supplies of iron and steel that will be available, it is anticipated that these new industries may now be started. Thus, the quantities of consumer's goods available in Mexico should be greatly increased and an effective blow will be struck against price inflation.

As soon as possible, an additional memorandum will be prepared showing the dollar value of exports to Mexico during the past several years.[67]

612.113/283

The Ambassador in Mexico (Messersmith) to the Secretary of State

MÉXICO, D.F., February 12, 1944.

DEAR MR. SECRETARY: I returned to Mexico City late Thursday afternoon, February 10, and I saw Dr. Padilla [68] on Friday for a long talk. I will not go into detail except on one phase which has to do with the Mexican Government raising the duties on some 600 to 700 items in their customs' tariff. You have undoubtedly by this time been informed in the Department that Mr. Suárez, the Minister of Finance, has indicated to us that, with the President's approval, he intends to postpone the application of the duties in question for another 90 days beginning February 18.

Dr. Padilla raised this matter on his own instance. He said that he had not known about this proposed increase on these items until the Decree was published. You will recall that when we talked about this in the Department first, I told you that I was confident that Dr. Padilla knew nothing about this matter and had not been consulted with reference to these increases, but that it had been done through direct recommendation by Suárez to the President. Padilla said that he was as much disturbed over this wholesale increase of rates as we were and that he had immediately on hearing from us in Washington secured the effective date of the rates for one month as we had requested. He said that now it was proposed that the rates not be made effective for another 90 days, so as to give us some time to discuss the matter. He further was of the opinion that there should be no in-

[67] Memorandum transmitted to Mexico in instruction 5248, February 8, 1944; neither printed.

[68] Ezequiel Padilla, Minister for Foreign Affairs.

crease in rates whatever and that the Decree as a whole should be made ineffective. He said that he was talking to the President in this sense and that he had talked with Suárez at the request of the President in that sense. He said that Suárez was making difficulties so far as the suppression of the increases as a whole was concerned, but that he was agreeable to the further 90 day delay. Padilla said that he was confident, however, that the President would take a position that there should be no increases whatever.

I will not go into detail in this letter and at this time, but I did want to get this personal and private word to you without delay, that the probabilities are very strong that next week I will get from the Foreign Office a formal note to the effect that this increase in duties has been abandoned. If we get this highly satisfactory action, which I believe we will, we owe it entirely to the understanding attitude of the President and of Dr. Padilla and to the energetic and completely understanding representations which Dr. Padilla made to the President.

I have wanted you to have this encouraging word without delay because it shows what understanding action we can get, and do get, from the President and the Foreign Minister here. It is further indication that in matters affecting Mexico we must show the same understanding action with respect to her problems. I have at this time specific reference to the freight car embargo, concerning which I have written you separately today.[69] We cannot expect to continue to get such understanding action from the Mexican Government, as we have been getting, if we on our side do not show similar understanding.

I hope to send you a telegram next week to the effect that this whole question of the tariff increases is wiped out definitely.

I am hoping that when this letter reaches Washington, you will already have left with Mrs. Hull on your holiday and that you will get a real rest.

With affectionate regard from Marion and myself to you and Mrs. Hull,

Cordially and faithfully yours, G. S. MESSERSMITH

This information is at present for your personal information, & should not go further, as final decision has not been made. I am giving you this preliminary information as I know how much you, as I, have been preoccupied over the proposed action of Mexican gov't.[70]

[69] Letter not printed; for correspondence concerning the freight car embargo, see pp. 1234 ff.

[70] This paragraph was added in the Ambassador's handwriting.

612.113/276 : Telegram

The Ambassador in Mexico (Messersmith) to the Secretary of State

MEXICO CITY, February 17, 1944—6 p. m.
[Received 11 : 33 p. m.]

246. The Minister of Hacienda informs me that the President of Mexico signed today a decree annulling definitely the tariff increases in some 600 to 700 items according to a decree published in the latter part of December of last year.[72] Full report follows by mail.

MESSERSMITH

812.24/3946

The Secretary of State to the Ambassador in Mexico (Messersmith)

No. 5588 WASHINGTON, April 19, 1944.

SIR: Reference is made to the Embassy's despatch no. 15,954 of February 17, 1944 [73] which, in a discussion of the relation of import tariffs to the development of industries in Mexico, refers to remarks made by the Mexican Minister of Finance, Señor Suárez, on the subject of competition of United States products with domestic products in the post-war Mexican market. In substance, Señor Suárez has said that the shipment of large quantities of United States products to Mexico at prices with which Mexican producers cannot compete constitutes "dumping", a situation with which the Mexican Government is prepared to deal by various means, including action under the trade agreement between the two countries.

It seems apparent that Señor Suárez would regard as dumping any condition under which the United States products undersell similar Mexican products in the markets of Mexico. In the view of this Government, and in its generally accepted meaning, the term "dumping" is used to signify sales for export at lower prices than those charged buyers in the domestic market at the same time and under like circumstances. Thus, the selling price of products in markets of the United States, compared with prices quoted for export of the same products to Mexico, rather than a comparison of prices of United States products and similar Mexican products in the Mexican market, would be a basic consideration for an examination by this Government of a charge by the Mexican Government that products of the United States were being dumped in the markets of Mexico.

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[72] The Decree signed February 17, 1944, was published in the *Diario Oficial* on March 2, and thus annulled the Decree of December 18, 1943, before the latter was put into operation (612.113/278).

[73] Not printed.

In conversations with officials of the Mexican Government regarding tariffs and related problems, you should lose no opportunity to make known to them the foregoing view of this Government with respect to dumping, pointing out that dumping should not be confused with ordinary competitive conditions. There is enclosed a mimeographed copy of the United States Antidumping Act, 1921 [74] which defines dumping and provides legislative means for determining and combatting the condition. This may be useful in your discussions of the subject with Mexican officials.

You may, in your discretion, refer to the marketing problems related to the products mentioned in the despatch under reference and point out that if United States steel manufacturers, for example, should find it possible in the post-war period to ship steel products to Mexico in response to demand, and sell them at prices lower than those at which similar Mexican products can be sold, this Government would not, *per se*, consider that such products had been dumped in the Mexican market.

It will be noted that this instruction deals with only one aspect of the problem which is developing in the relationship between the establishment of industries in Mexico and pressure for further tariff protection, that is, with the apparent lack of understanding of the term "dumping". The broader aspects of the problem will be made the subject of a separate instruction.

Very truly yours, For the Secretary of State:
DEAN ACHESON

612.116/43 : Airgram

The Ambassador in Mexico (Messersmith) to the Secretary of State

MÉXICO, D. F., May 13, 1944—11 a. m.
[Received May 17—11 a. m.]

A–1558. Imports into Mexico were made subject to restriction for duration of the emergency by an Executive Decree dated April 15, 1944 and published in the *Diario Oficial* of May 12, to become effective as of such date as the first list of items to be so restricted may be published in the *Diario Oficial*.

The Ministry of Finance and Public Credit is empowered to formulate the list of articles or merchandise, the importation of which shall be restricted, as well as to authorize imports of such goods.

Permits granted by the Ministry shall specify the commodity, the Mexican Tariff fraction, and the name of the licensee. They may not be transferred nor modified in whole or in part.

[74] Title II of Emergency Tariff Act of May 27, 1921; 42 Stat. 11.

All Federal, State, Territorial, or Municipal entities, the Federal District, and autonomous dependencies are to be equally subject to the provisions of the decree, and no person or firm may import, sell, receive, nor in general contract for merchandise on the restricted list without first obtaining written authorization to do so from the Ministry of Finance.

Credit institutions, as well as all individuals or firms, shall refrain from any participation in the financing of operations related to restricted items unless authorized to do so by the Finance Ministry in writing.

Excepted from the provisions of the decree are:

(1) Goods shipped through the country in transit;
(2) Postal shipments not exceeding pesos 200 in value and consigned as gifts, samples or for personal use; and
(3) Goods imported on a temporary basis and re-exported to country of origin within 180 days.

Penalty for violation of the decree is a fine of up to pesos 10,000.

The decree shall not apply to merchandise imported under orders placed prior to effective date of the law, or which may be in transit when published in the specific decree restricting its importation.

This measure may be designed to prevent dumping, but first list when published should clarify this.

The decree may also come within the meaning of Clause 2 of Article X of Mexico–United States Trade Agreement.

MESSERSMITH

612.116/42

The Secretary of State to the Ambassador in Mexico (Messersmith)

No. 5745 WASHINGTON, May 29, 1944.

SIR: Reference is made to the Embassy's telegram no. 707 [75] and airgram A–1558 of May 13, 1944, reporting the publication on May 12 of an Executive Decree which provides that imports into Mexico will be subject to restriction by a system of import permits for the duration of the emergency. The Department will, of course, require more adequate data concerning the purpose of the Decree and the products to be restricted before a full evaluation of its implications will be possible. You should therefore endeavor to obtain further information concerning the measure and transmit it to the Department without delay.

The following observations with respect to the possible commercial policy aspects of the measure and its relation to the trade agreement

[75] Not printed.

between the United States and Mexico are based on an informal study of the information at hand, the assumption being that the restrictions are predicated upon wartime necessity. This is a point which will require clarification. These observations are included in this instruction for the general guidance of representatives of the Embassy in any discussions of the subject they may find it desirable to undertake with Mexican officials in their endeavor to ascertain the purpose and probable scope of the measure.

1. The Decree appears to initiate a system of import control based on wartime emergency considerations at a time when emphasis might more logically be on the gradual diminution or elimination of such wartime trade controls in so far as may be possible in anticipation of efforts to revitalize international trade after the war as an essential factor in the restoration of peace and world prosperity. In that connection, reference is made to the pertinent paragraphs of the memorandum handed to the Mexican Ambassador at Washington on January 14, 1944 following the upward revision of import duties announced in December, 1943. A copy of this memorandum was transmitted to the Embassy with instruction no. 5218 of February 1.

2. The limitation of the import restrictions to the duration of the emergency appears to indicate the desire to institute a control of imports for the war period along the lines of that envisaged by United States General Imports Order M–63.[76] In that connection it should be recalled that the purpose of that Order, which became effective July 2, 1942, was in general to assure the most effective use of available shipping space for imports into the United States. This order is amended from time to time to keep pace with the changing situation as it relates to requirements and available shipping facilities. It is difficult to envisage for Mexico a similar situation at this time where, because of insufficient shipping facilities, control of imports would be necessary in order to provide adequate channels for imports.

3. The relation of the measure to the trade agreement will no doubt be determined when its purpose is revealed, possibly with the publication of the first list of products to be restricted. Should it prove in fact to be a wartime or national emergency measure, it could of course be interpreted by the Mexican Government as falling within the meaning of Article XVII of the trade agreement which excepts from its provisions any measure "(*h*) relating to public security, or imposed for the protection of the country's essential interests in time of war or other national emergency." It is the Department's view that the

[76] An order "to conserve the supply and direct the distribution of designated materials in which shortages exist and which are imported," issued December 27, 1941; 6 *Federal Register* 6796.

burden of proof of the measure's necessity would fall upon the Mexican Government.

4. Should it prove not, in fact, to be a measure dictated by wartime or other emergency conditions, the control of imports envisaged by the decree would appear to bring it within the meaning of Article X of the trade agreement in so far as articles included in Schedule I may be affected. It seems reasonably clear that the decree does not contemplate measures for which exceptions to the provisions of paragraph 1 are stated in paragraph 2 of Article X.

5. In the event the measure is, as the Embassy suggests, designed to prevent dumping, reference is made to the Department's instruction no. 5588 of April 19, 1944, in which this Government's views with respect to dumping were set forth.

6. Paragraph 2 of Article VI of the trade agreement may also prove to be pertinent. It provides that no administrative ruling imposing any new requirements with respect to importations shall be effective as a general rule prior to the expiration of thirty days after the date of publication of the ruling in the usual official manner.

In the absence of full information regarding the decree in question, the Department does not desire that representations be made to the Mexican Government. However, when appropriate, the foregoing observations may, in your discretion, be used in connection with the informal discussions authorized above.

Very truly yours, For the Secretary of State:
DEAN ACHESON

612.116/45

The Ambassador in Mexico (Messersmith) to the Secretary of State

No. 18142 MÉXICO, D.F., June 12, 1944.
[Received June 16.]

SIR: I have the honor to refer to the Department's Instruction No. 5745, dated May 29, 1944, and to previous correspondence concerning the Mexican Executive Decree published May 12, 1944, which enables Mexico to limit or prohibit importations upon publication by the Ministry of Finance of lists of restricted commodities. The Embassy is requested to obtain further information concerning the measure and is authorized to enter into informal discussions with appropriate Mexican officials for this purpose. It is understood that an additional instruction is being prepared by the Department and, therefore, the following material is being submitted as an interim report.

While no listing of restricted commodities has so far been published by the Ministry of Finance, the Decree makes possible the inclusion

by the Ministry of Finance of *any* article in the lists that may be promulgated. It makes no exceptions nor does it make any reference to commodities listed in Schedule I of our Trade Agreement. The failure to inform the United States Government of the intention to publish this decree would seem to contravene the spirit of the Trade Agreement, if it is not in fact a violation of paragraph 2, Article X, whereby proposals by one party to the agreement to impose any quantitative regulation shall be presented in writing to the other party for purposes of consultation. It might, however, be maintained by the Mexican Government that, since no actual limitations have been imposed (no lists having been published), no violation has taken place.

The Decree has no preamble, or "exposition of motives" which usually forms part of such decrees for the purpose of explaining reasons for the enactment. This unusual omission may have been deliberate, in order not to reveal the Mexican Government's motives, or in order to retain freedom of choice for ascribing those motives at a later date to one or another of the excepting clauses of the Trade Agreement, such as those set forth in paragraph 2, Article VI, or in Article XVII.

The Department's instruction under reference states that: "The Decree appears to initiate a system of import control based on wartime emergency considerations . . ." This observation would seem to be justified by the Decree itself as Article I specifies that the importation of goods shall be subject to restriction "during the state of emergency."

The instruction also points out that the Mexican Government might claim that the Decree was justified under the meaning of Article XVII of the Trade Agreement, section (*h*) of which provides that "Nothing in the Agreement shall be construed to prevent the adoption of measures relating to public security or imposed for the protection of the country's essential interests in time of war or other national emergency." While the Embassy shares the opinion of the Department, it would seem that in case of such a claim the burden of proof of the necessity for the measure would fall upon the Mexican Government. In raising the question of burden of proof, the Mexican Government may claim, however, that the United States in effect accomplishes the same ends in the employment of General Imports Order M–63. It might maintain that the purpose of M–63 (the conservation and effective use of shipping space) has at times been overshadowed by other considerations in utilizing this order. Certain Mexican exporters have, in fact, regarded the application of M–63 as an instrument for attaining commercial ends. At the same time M–63 might be justified under paragraph (*h*) of Article XVII.

The Department's instruction observes that the Decree does not stem from any of the specifications mentioned in paragraph 2, Article X, of the Trade Agreement. The Embassy's Despatch No. 17,701 of May 23, 1944 [79] reported the remarks of the Minister of Finance to the Counselor of Embassy for Economic Affairs regarding the possible uses of the Decree. In the case of the Cadillac automobiles and other luxury items mentioned by the Minister, it would seem that the provisions of paragraph 2 would not apply, with the possible exception of the last specification, "the maintenance of the exchange value of currency."

The Department points out in paragraph numbered 6, that Article VI, paragraph 2, of the Trade Agreement may prove pertinent in the case of the Decree. The said Article VI provides that "No Administrative ruling by either country imposing any requirements with respect to importations shall become effective before the expiration of 30 days after the date of official publication." This particular point would seem merely to defer the effective date rather than to present grounds for objection to the enactment of the Decree.

A fact that does not seem to be unrelated to the Decree is the abrogation, in February, under pressure from the United States Government, of the wide upward revision of the Mexican import duties. One of the reasons for these proposed tariff increases was the creation of protection for certain newly established industries (Cf. the Embassy's Confidential Despatch No. 15,954 of February 17, 1944 [79]). The reaction of our Government to this measure and the subsequent abrogation of the large-scale increases revealed differences of economic thinking on tariff questions that exist between our Government and certain high officials of the Mexican Government. It is believed that to some degree the Decree under consideration is a sequel to the failure to realize the tariff revisions which had been unsuccessfully attempted. From this point of view, both measures have aspects of an economic philosophy that may run counter to the fundamental purposes underlying the policy of trade agreements.

The Embassy shares the Department's concern over the possible consequences of the Decree, but awaits the arrival of the Department's additional instruction [80] before going further into the matter.

Respectfully yours, For the Ambassador:

THOMAS H. LOCKETT
Counselor of Embassy for Economic Affairs

[79] Not printed.
[80] Instruction No. 5820, *infra*.

612.116/44

The Secretary of State to the Ambassador in Mexico (Messersmith)

No. 5820 WASHINGTON, June 12, 1944.

SIR: Reference is made to the Embassy's despatch no. 17,701 of May 23, 1944 [81] and to other correspondence concerning the Executive Decree published May 12 providing for the control of imports into Mexico, including instruction no. 5745 of May 29, which was forwarded before distribution of despatch no. 17,701 was effected in the Department.

On the basis of the additional information concerning the decree submitted in the despatch, the Department now deems it desirable to authorize the Embassy to proceed to discuss the subject informally with appropriate Mexican officials with a view to encouraging the withdrawal of the measure or to obtaining assurance that the powers provided thereby will not be used to control imports for commercial policy reasons. Your discussions with Mexican officials may be held within your discretion as to appropriate time and circumstances.

You should refer to the comments made on various aspects of this matter, including its relation to the trade agreement, in instruction no. 5745 and, if it is considered by Mexican officials to be a wartime measure, you should emphasize particularly that it is the general policy of this Government to remove wartime trade controls as soon as they are no longer necessary in connection with the war effort, and to simplify those which remain necessary. This Government considers the implementation of this policy important not only to relieve foreign traders here and abroad from the burden of unnecessary restrictions and formalities but also as a necessary preliminary step looking toward the general relaxation of barriers to trade without which postwar world trade relationships cannot be reestablished on a sound basis. You should also stress the fact that wartime trade control measures of this Government are not used to protect domestic industries nor, in the case of any given commodity, to discriminate between countries of origin.

With reference to the statement of the Minister of Finance and Public Credit that the decree provides a mechanism for conserving exchange, you may point out that, in this Government's view, exchange should be controlled only for the purpose of correcting balance-of-payment difficulties or as a safeguard when such difficulties appear likely to ensue, and should be regarded essentially as a temporary measure. The reserves of foreign exchange which Mexico has built up during the war would appear to make the measure unnecessary for such balance-of-payment purposes, and lend weight to the view that

[81] Not printed.

it is designed for trade barrier purposes, and not as a wartime or other national emergency measure within the meaning of Article XVII of the trade agreement.

The Department desires to receive the Embassy's view as to whether a formal protest should be made at this time, and its comment concerning the reaction of Mexican importers whose interests would be affected by the measure.

Very truly yours, For the Secretary of State:
DEAN ACHESON

612.116/6–2444

The Ambassador in Mexico (Messersmith) to the Secretary of State

No. 18,369 MÉXICO, D.F., June 24, 1944.
[Received June 29.]

SIR: [Here follows a discussion of the probable reasons behind the issuance of the Executive Decree published May 12, 1944.]

Having fully in mind the Department's apprehension as to how Mexico intends to apply the decree of May 12, I went to see Mr. Suárez on June 15 in order to discuss the decree with him. I told him quite frankly that there was considerable apprehension in the Department relative to the use which the Mexican Government will make of the decree and to the extent to which it might interfere with the flow of international trade. I asked Mr. Suárez if the primary purpose of the decree was to protect domestic industry. He replied that the decree would be applied, if necessary, for the accomplishment of two purposes, and said that it might be considered as Mexico's M–63. He explained that one purpose was to prevent the "dumping" of foreign merchandise upon the market to the detriment of domestic industry. He said that the second purpose would be to maintain adequate monetary reserves by restricting imports. He indicated that in order to accomplish this purpose, the import control would be applied first to luxury items. I told Mr. Suárez that it was the purpose of my Government to reduce instead of increase trade barriers except as the war emergency might demand. Mr. Suárez replied that he fully understood this policy and that naturally he would not make use of the decree of May 12 unless he found it necessary to protect his monetary reserves and some industries.

I told Mr. Suárez that if difficulties should arise in respect to his monetary reserves and certain industries, I felt that many of the problems could be solved by conferences between the two of us in preference to the arbitrary use of the decree of May 12. I told him that by means of such discussions between us, either his Government or our Government, or both of the Governments in cooperation, might be able to take some measures which would remedy the interference

which he anticipated and, thereby, obviate the necessity of applying additional trade barriers to international commerce. Minister Suárez replied that he was quite in accord with this idea and that he would not apply the decree of May 12 to any product without first discussing the matter with me. This is extremely important because it will allow sufficient time to explore the application of other remedies rather than arbitrarily apply the import barrier. Mr. Suárez made the definite agreement with me that there would be a discussion between us concerning these problems before the decree of May 12 would be applied, which will give the two Governments time to explore other avenues of approach.

Regardless of whether or not the decree of May 12 and its application are in direct conflict with the purposes and intent of our reciprocal trade treaty program, I am sure the Mexicans feel that it will be necessary to apply some form of export control in order to protect some phases of their national economy. Finance Minister Suárez, in particular, believes that the industrialization of a weaker nation entails the necessity of protection in order that the industry might survive against the mass production of the stronger nations. This belief on the part of the Mexican Government is in conflict with the policy of the Department not to increase tariffs and other forms of international trade barriers. I am convinced that it will be necessary for our Government to make some concessions with respect to the protection in some form by Mexico of its infant industry. If we are not prepared to do this, then our efforts in aiding these weaker countries to industrialize are largely in vain.

Before closing this despatch I wish to emphasize again the importance of the agreement with Mr. Suárez whereby he will consult with me before he applies the decree of May 12 to any product. This agreement will prove of great importance as it will give us the opportunity to discuss the import and production problems involved before the import control is applied. In these conferences we may be able to find ways and means of avoiding the application of the control to many products.

Respectfully yours, G. S. MESSERSMITH

612.116/6-2744

The Ambassador in Mexico (Messersmith) to the Secretary of State

No. 18,449 MÉXICO, D.F., June 27, 1944.
[Received July 1.]

SIR: I have the honor to refer to the Department's restricted instruction No. 5820, of June 12, 1944, concerning the Mexican decree of May 12, 1944, providing for the control of imports into Mexico,

in the last paragraph of which the Department states that it desires to receive the Embassy's view as to whether a formal protest should be made at this time and its comment concerning the reaction of Mexican importers whose interests would be affected by this measure.

In this connection I should bring to the attention of the Department this Embassy's despatch No. 18,369, of June 24, 1944, which covers the most recent conversations which the Economic Counselor of the Embassy, Mr. Lockett, and I had with the Minister of Hacienda, and from which it will be seen that a formal protest is not necessary at this time. I think the Department will agree that the steps which are outlined in this despatch with respect to this decree of May 12, 1944, are more effective and desirable than a formal protest, which in any event I do not believe would be justified under the circumstances.

I would respectfully bring to the attention of the Department a restricted and confidential letter dated June 26 which I have written to Secretary Hull [82] which should be considered in connection with my despatch No. 18,369, of June 24. I think the Department will be particularly interested in my letter to Secretary Hull of June 26.

The Department may be assured that we shall follow the matter of this decree of May 12, 1944, with the greatest care and shall keep it informed of any developments which may be of interest.

Respectfully yours, G. S. MESSERSMITH

612.116/9–2044

The Secretary of State to the Ambassador in Mexico (Messersmith)

[Extract]

No. 6283 WASHINGTON, September 20, 1944.

SIR: . . .

. . . . . .

If you perceive no objection you may, in your discretion as to time and circumstances, discuss with the Minister of Foreign Affairs and with the President this Government's concern at the apparently irreconcilable attitude of Mr. Suárez and officials of his Ministry toward the matter of easing international economic controls, and express the hope that a way will be found for Mexico to cooperate fully in giving effect to the foregoing principles.

The Department views with considerable concern the fact that the Mexican Government has, for the purpose of controlling imports of

[82] Not printed; of particular relevance in this letter is Ambassador Messersmith's comment: "We would have no basis for making a formal protest, for up to now the decree is inoperative, and it becomes operative only when certain articles are placed on the list falling under the decree. No such lists have been issued . . ." (612.113/6–2644).

a single commodity, decided to bring into effect at this time the decree of April 15 providing for the control of imports into Mexico.[83] Now that the decree has been made effective, presumably it will be utilized more readily for the control of other imports. It is hoped that the Finance Minister will, in accordance with his informal agreement with you, as mentioned in despatch no. 18369 of June 24, consult with you before placing additional import controls in effect, with a view to ascertaining whether other means of solving current problems may be found. Favorable results of consultation are of course somewhat doubtful because of the attitude toward economic controls evidenced by the Finance Minister and his associates.

The application of import controls to lard, and the imminent institution of additional controls, is most discouraging in view of the efforts which this Government has made to make products of various kinds in short supply in the United States available to Mexico with a view to assisting the Mexican Government to provide Mexican consumers with larger quantities of goods at lower prices, and to control its current inflationary problems. A continuing trend in that direction will undoubtedly react unfavorably in further consideration of efforts by this Government to assist the Mexican Government in its general supply problems.

. . . . . .

Very truly yours, For the Secretary of State:
A. A. BERLE, JR.

812.24/11–1644

The Ambassador in Mexico (Messersmith) to the Secretary of State

[Extract]

No. 21,382 MÉXICO, D. F., November 16, 1944.
[Received November 23.]

SIR: . . .

. . . . . .

The above paragraphs only give the history of the Decree of May 12 to date, but it is the beginning of the extensive use which the Mexican Government will make of this effective import control. It is believed that it will constitute one of the most complicated and unsatisfactory problems in our economic relationships with Mexico. Mr. Suárez recently said to the Ambassador that he is now studying the advisa-

[83] On July 27, 1944, the Ministry of Finance and Public Credit published in the *Diario Oficial* Circular No. 309–2–82, listing hog lard as merchandise subject to the import restrictions authorized by the decree signed April 15, as published in the *Diario Oficial* on May 12 (612.116/8–344).

bility of placing starch, leather handbags, and pipe fittings under the jurisdiction of the Decree. A day or two afterward Mr. Suárez informed the Economic Counselor that he had a very long list of products for which Mexican industry is asking protection under the Decree of May 12, but he only specifically mentioned locks, meaning, particularly, padlocks. Mr. Suárez admitted that pressure was being brought upon him from all sides to give protection to this and that industry and his conclusion was that if domestic manufacturers can prove that they cannot withstand foreign competition and must close without protective assistance, what could he do but give protection to them? These cold facts are being given to the Department because they not only demonstrate what is now taking place in reference to import controls, but they also forecast a very extensive and damaging use of the Decree of May 12 from the standpoint of international trade between Mexico, the United States and other nations.

The Minister of Finance is the officer of the Mexican Government who decides whether or not this or that product will be placed under the Decree of May 12. At the end of the first nine months of this year, Mexico had an unfavorable balance of trade of 218 million pesos and, should it continue unfavorable throughout the remainder of the year, it may reach as high as 250 million pesos. At the same time, the Minister of Finance sees Mexico's exports on the decline and its imports rapidly increasing; he sees the federal income begin to decline, with the peak of inflationary activity having been passed and, therefore, he listens more readily to the demand of domestic industry for protection in order to prevent shut-downs and unemployment. He also fears the tremendous productive capacity of the United States and domestic producers are not lax in their efforts to convince Mr. Suárez that they must have protection in order to exist. Undoubtedly, Mr. Suárez' purpose will be to severely restrict certain imports in order to protect similar domestic products, because this procedure will aid him in his attempt to reduce the unfavorable balance of trade.

The Embassy believes that the foregoing facts should be placed before the Department because Mr. Suárez will find himself more and more in the inevitable position of having to give greater protection to certain industries or watch them disappear. While Mr. Suárez will use the Decree of May 12 with reluctance, he has plainly indicated that there are a number of industries which are sound and which must be given greater protection than the present import tariff affords. He said that he had been giving consideration to probable tariff increases instead of a more extensive use of the Decree, but had finally reached the conclusion that the whole tariff structure would have to be changed from specific to ad valorem duties in order to take

value and prices into consideration before he could accomplish effectively the purpose he has in mind. Mr. Suárez said quite frankly that mass production in the United States would permit low cost products to easily absorb existing tariff schedules and sell at market prices which domestic producers could not meet and, therefore, the use of the Decree of May 12 would become inevitable and imperative.

The Ambassador and his associates will have a herculean job before them in the attempt to cooperate with Mexico and hold to a minimum the use of the Decree of May 12 and other import controls which may be instituted. Understanding quite fully the Department's viewpoints and policy concerning barriers to international trade, every reasonable effort will be made to work with the officials of the Mexican Government for the purpose of trying to find ways and means that will accomplish desired results with the application of minimum controls. But, the Embassy must state its true belief to the Department that it foresees an inevitable application by the Mexican Government of more extensive import controls as time goes on. In spite of efforts which the Embassy may make to induce the Mexican Government not to apply the controls, it is certain that the Mexican Government will consider its reasons sufficiently sound and just under present world conditions to apply them. The foregoing is the situation as it now exists and as well as the immediate future can be predicted.

There is another exceedingly important phase of imports into Mexico which is beginning to develop and which will inevitably cause the establishment of another group of controls. This is the importation of large quantities of surplus war materials in contrast to newly manufactured goods. The Mexican authorities, particularly the Minister of Finance, are already giving much thought to this problem, which undoubtedly will develop to such an extent that Mexico will find it necessary to restrict the importation of surplus war materials by an import licensing procedure that will maintain an orderly flow of surplus war materials and will not adversely affect the domestic economy. Mr. Suárez feels that there will be an extensive range of surplus products which Mexico will very urgently need, and, therefore, licenses will be freely issued for the importation thereof. He states quite clearly and frankly that the importation of surplus war materials cannot remain free because there would immediately develop organizations, companies and individuals, both responsible, and irresponsible, whose prime purpose would be to flood the Mexican market to the detriment of domestic production without any other consideration than that of profit. Mr. Suárez wishes to aid us as far as possible in the disposal of the huge surpluses that will begin to develop at the end of the German war, but he feels that an unrestricted importation of such goods would surely result in a complete prohibi-

tion against them, therefore, he feels that an orderly importation under federal license would better aid in the solution of the problem, although a longer time would be required to do so. He also has in mind that by the establishment of an import licensing system care could be taken to eliminate irresponsible persons and organizations by refusing licenses.

[Here follows a three-paragraph discussion of organizational procedure that might be adapted to control the import of surplus war materials.]

Respectfully yours,

For the Ambassador:
THOMAS H. LOCKETT
Counselor of Embassy
for Economic Affairs

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

812.77/1919

Memorandum by Mr. Emilio G. Collado, Special Assistant to the Under Secretary of State, to the Secretary

[WASHINGTON,] January 1, 1944.

THE SECRETARY: The Coordinator [84] has requested the Department's endorsement of a recommendation of Ambassador Messersmith [85] that CIAA [86] authorize additional commitments for the rehabilitation of the National Railways of Mexico, not to exceed $500,000 during the first three months of 1944. A draft letter for signature is attached.[87] Some urgency attaches to this matter as the Railway Mission [88] must receive immediate instructions as to how to proceed.

More than two years ago the Department and the War Production Board realized that the Mexican railway system faced a general breakdown that would prejudice the movement of the then existing volume of metals and other strategic materials to the United States.

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[84] Coordinator of Inter-American Affairs, Nelson A. Rockefeller.

[85] George S. Messersmith, Ambassador to Mexico.

[86] Office of the Coordinator of Inter-American Affairs.

[87] Presumably the draft of a letter from Secretary Hull to Mr. Rockefeller dated January 7, 1944; not printed.

[88] The Railway Mission to Mexico dated from April 6, 1942, when Maj. Howard G. Hill of the U. S. Army Corps of Engineers, under assignment to the Office of the Coordinator of Inter-American Affairs, arrived in Mexico to survey the Nation's railways. With Departmental support, the scope of the project was enlarged during April and May, and was further broadened and formalized by an exchange of notes signed at Mexico City on November 18, 1942, by Ambassador Messersmith and Mexican Foreign Minister Ezequiel Padilla. For texts of notes, see Department of State Executive Agreement Series No. 289, or Department of State *Bulletin*, November 21, 1942, pp. 954–957.

It was further apparent that with the withdrawal of shipping the load would be even greater, and that there was no use in undertaking a large program of procurement and expansion of production if transportation facilities were to be inadequate. The CIAA was asked to help in the matter and an experienced railway engineer [89] was sent to Mexico to investigate the question.

By the latter part of 1942 it became evident that vigorous action by this Government was needed to help Mexico in the rehabilitation of the National Railways to permit the transportation of the greatly increased volume of materials to the United States. Accordingly the CIAA, with the strong backing of the Department and the WPB,[90] requested and received funds from the President's Emergency Fund. The total funds which have been allocated for the project amount to $7,500,000 of which $5,000,000 came from the Emergency Funds, and $2,500,000 was transferred from unused appropriations of CIAA. The latter transfer was approved by Congress in connection with CIAA's budget for fiscal 1944, at which time the whole matter was reviewed before the appropriations committees.

The program has two parts. The Chief of the Railway Mission, Mr. Oliver Stevens,[91] who is an experienced railroad man, has gradually built up a large staff of United States railway maintenance and operations technicians who work with Mexican assistants, training the latter and studying the entire Mexican railway operation and recommending improvements. This staff rose at one time to 55 Americans, is now at about 50 Americans, and Mr. Stevens proposes gradually to reduce it to about 30–35 by the end of 1944. At its peak this part of the program cost almost $1,000,000 a year in salaries, traveling expenses, etc.

The other part of the program consists of carrying out and financing specific railway maintenance and rehabilitation projects. Some of the work is done by letting contracts to United States contractors, and some is undertaken by the Mexican railways under the supervision of Mr. Stevens and his staff. During 1943 about $2,800,000 has been committed for such purposes; the total has not all been actually spent as yet. Much of this is to United States contractors and for United States materials and equipment.

The Railway Mission has also performed a very useful service in screening all applications for export licenses and priorities for railway equipment for Mexico.

Because of the success of Mr. Stevens' work, total expenditures are remaining well below the original estimates, only about half the funds

[89] Maj. Howard G. Hill.
[90] War Production Board.
[91] Mr. Stevens succeeded Major Hill in October 1942.

have been expended or committed and the railways are carrying a greatly increased volume of traffic. Mr. Stevens and the CIAA wish to taper off the expenditures as rapidly as possible consistent with the maintenance of adequate transportation for materials needed for war purposes and the undertakings this Government has entered into, at our initiative, with Mexico. They have consulted Ambassador Messersmith,[92] and the Ambassador and Mr. Stevens recommend that commitments at the reduced rate of a maximum of $500,000 be authorized during the first three months of 1944. Ambassador Messersmith has written a very strong letter to Mr. Rockefeller, a copy of which is attached.[93]

I have consulted Mr. W. Y. Elliott, head of the Transportation Branch of WPB, who has sent me the attached letter. The facts are that both WPB and WFA[94] require and desire the maintenance of the Mexican railway system as the total volume of strategic materials and food imported continues to increase. In fact, although the metals situation generally is much easier, manpower considerations have caused WPB to reduce slightly production within the United States while maintaining it in Mexico. The WPB would not wish to state this in writing because of domestic political considerations.

On the other hand WPB has felt right along that some of the strain on the Mexican railways could be taken off if the movement of certain unessential items, such as bananas, was curtailed. The Mexican Government and Ambassador have refused to do so in any important degree, for obvious Mexican local political reasons, and the Department has not approved measures for the purposes suggested by WPB.

It is obviously necessary both from the point of view of war materials transportation, and our commitments to the Mexican Government to carry on with the railway program. At the same time it is possible to taper off the program at a relatively rapid rate, as the operating economics resulting from Mr. Stevens' work and advice are so great as to render actual rehabilitation expenditures less needed.

Mr. Percy Douglas of CIAA believes that the entire program can be held down to about $5,000,000 against the $7,500,000 available. As previously indicated, he proposes that the technical staff be gradually reduced during 1944. Commitments for actual rehabilitation he suggests at not over $500,000 during the first quarter (he hopes that $400,000 will be sufficient); $300,000 during the second quarter; and perhaps $100,000 during each of the third and fourth quarter. In

[92] The substance of these conversations of early December in Mexico City was covered by Percy L. Douglas, Assistant Coordinator of CIAA, in a memorandum dated December 9, 1943; not printed.

[93] Letter dated December 15, 1943; not printed.

[94] War Food Administration.

1945 the program would probably be reduced to some expenditures for technical staffs only.

The Department needs to decide now only with respect to the first quarter of 1944. A letter endorsing Ambassador Messersmith's recommendation is attached.[95] In addition there is attached an instruction to Ambassador Messersmith [95a] transmitting the correspondence and a copy of the memorandum [96] to indicate the line of the Department's thinking regarding succeeding quarters.

EMILIO G. COLLADO

812.779/7 : Airgram

The Ambassador in Mexico (Messersmith) to the Secretary of State

[Extract]

MEXICO CITY, February 12, 1944—3 p. m.
[Received February 17—12 p. m.]

A–493. I wish to recommend in the strongest and most emphatic form that all restrictions now being placed by our authorities, whether they be by the Inter-State Commerce Commission, the American Association of Railways, or by any other agency of our Government, on the movement of freight traffic between Mexico and the United States, be eliminated immediately and for a period of 90 days—this not to include the application of Order M63 [97] to certain articles as now applied. The reasons for this far-reaching recommendation, the putting into effect of which immediately I believe to be in our national interest, are as follows:

While a partial embargo and restrictions on the movement of freight cars and freight from the United States to Mexico have been in effect for about a year,[98] the recent drastic action of our authorities in stopping the movement of practically all freight cars and freight to Mexico [99] has caused and will increasingly cause what amounts to economic disaster in this country and will almost certainly have political and economic effects which will be as undesirable for our country as for Mexico. The Department and various agencies of our Government are familiar with the importance of the movement of corn and

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[95] Draft of the letter of January 7 referred to in first paragraph of this memorandum.

[95a] Draft of instruction No. 5057, January 7, 1944, not printed.

[96] Reference is to this memorandum of January 1 by Mr. Collado.

[97] United States General Imports Order M–63; 6 *Federal Register* 6796, 7 *Federal Register* 4198, 4878.

[98] An embargo system was put into effect in February, 1943, to correct an excessive accumulation of United States freight cars in Mexico (812.779/11).

[99] On February 7, Mexico's newspaper *Excelsior* reported that the United States authorities had stopped all movement of freight cars into Mexico in excess of the number of foreign-owned cars being returned across the border.

wheat to Mexico and of the efforts of the Mexican Government, with the collaboration of our own authorities, to provide an adequate supply of corn and wheat.[1] The situation with respect to both corn and wheat in this country is critical, and in several areas political disorders are bound to result if there is not an adequate movement of both corn and wheat to Mexico.

The whole industrial structure and the economic life of Mexico are being affected by this embargo. Already mines and plants producing strategic materials which go to the United States are suffering in their production because they cannot get either the necessary supplies from the United States nor cars to move their products to the United States. Many industries in Mexico vital to the internal economy of Mexico or the materials in which we are interested are suffering from the lack of supplies which they have to get from the United States. I will not go into detail, but this situation is real and the effects of the embargo are already being felt in the Mexican economy, as well as in the food supply.

The application of the embargo can only have the effect of aggravating the situation in Mexico and causing political and material harm to our own country. We have many major problems with which the Department of State is familiar, and the President, which we are treating with Mexico and in which we are getting the most complete collaboration from the Mexico authorities. While we can expect from the Mexican authorities understanding of our problems, the Mexican authorities can reasonably expect from us, understanding and appreciation of their internal problems. The maintenance of the Mexican economy and of political stability are at this time as important to us as they are to Mexico, from the material as well as from the political point of view. We are creating through this embargo, disorganization in the Mexican economy to a degree which, rightly or wrongly, the responsibility for lack of food, disorganization of industry, and unemployment, will be laid on us, and this will inevitably affect our whole relationship with Mexico and the major problems with which we have to deal.

The embargo cannot cure the ills which our authorities have in mind, but will only aggravate the situation. We are understanding here of the problems confronting our own authorities and the need for every car being returned from Mexico to the United States without delay. The number of American freight cars in Mexico had reached its maximum in September of last year. As a result of the measures taken by the Mexican Government and the Mexican Railway authorities with the collaboration of the United States Railway Mission in Mexico, this number was reduced very materially within the course

[1] For correspondence on this subject, see *Foreign Relations*, 1943, vol. VI, pp. 429 ff.

of a few months. While the number of American freight cars in Mexico today is still excessive, the cure for this does not lie in the application of an embargo, but in the carrying through by the Mexican Government and the Mexican Railways, of the effective measures necessary to bring about a reduction of the cars to normal. So far the result of the embargo has only been to hurry back to the United States, empty freight cars, which is contrary to all good practice, and there have been all the other consequent disadvantages above indicated.

As I see it, the application of this embargo has been and will be, as disastrous a measure for Mexico and for ourselves, as I can envisage in our economic relationships. In view of the situation created here by the embargo and the deep preoccupation of the Mexican Government, I have asked Mr. Stevens, the head of our Railway Mission, Mr. Ransom, the head of our Procurement and Development Office, and the Counselor of the Embassy, Mr. Bursley, to meet with me this morning, and they are in complete agreement with me in the recommendation which I make at the beginning of this airgram. They believe with me that the best interests of our Government, as well as those of Mexico, would be served by the complete elimination of the embargo so as to permit the free movement of freight to Mexico. The Mexican Government will unquestionably be responsive to our action and we will be able to get more far-reaching and effective action from it and from the Mexican Railway authorities through the complete removal of the embargo, than by any partial action. It is my intention, if we remove the embargo in accord with this recommendation, to take up the matter with the Mexican Government in order to bring about the effective measures which will have to be taken here to keep the number of American cars in Mexico at normal.

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MESSERSMITH

812.779/13

Memorandum by Mr. John W. Carrigan of the Division of Mexican Affairs

[WASHINGTON,] February 16, 1944.

Commissioner Johnson of the Interstate Commerce Commission telephoned at 12:55 p. m., to state that he had given careful and sympathetic consideration to the airgram (A493—February 12, 3:00 p. m.) from Ambassador Messersmith, and that the decision reached was the following:

(1) The operation of the embargoes is being suspended effective now, and will remain in suspension during material improvement in

the car balance situation which must become evident within fifteen days;

(2) Messrs. King and Kendall will leave for Mexico by airplane, Saturday the nineteenth, to confer with Ambassador Messersmith and with all persons he may deem interested parties to this matter. He hopes they will be able to conclude their business as soon as possible, as they must be back as early as they can.

With reference to the first point, he gave me the following explanation:

(3) The actual rescission of the embargoes is a matter which would take some time to accomplish: apparently, it would require legal preparation and a certain amount of paper work merely to issue appropriate orders.

(4) He does not think the embargo should be withdrawn. He feels that it is wise to have it in the background.

(5) Consequently, shippers will still have to obtain permits for the railway cars to enter Mexico, but these permits will be issued without restrictions—during material improvement in the car balance situation. (This, you will note, is virtually the same as the rescission of the embargo of January 30, 1943, and places the Mexicans in a more advantageous situation than they have been in since that date.)

(6) He pointed out that he was doing this because of the Ambassador's request, and indicated that he was glad this matter had come to the Ambassador's attention because he felt that this was the only way in which improvement could be achieved. He referred to the second (whole) paragraph on Page 2 of the Ambassador's airgram regarding the improvement of the car situation and remarked on the fact that while the situation was better than it had been in the middle of 1943 the car balance was substantially today what it was when the embargo was originally instituted in February of 1943 (this, by the way, is borne out by the National Railways' own statements that I saw in Arnett's office yesterday).

(7) He remarked that he was doing this on the basis of the Ambassador's airgram and because of what the Department of State wanted, but that, aside from this, he hoped it would help the Ambassador in his negotiations on the workers.

I want to say once more what I have indicated before with respect to the Commissioner: he had said that he would be glad to do anything that the Department and the Ambassador wanted—in this instance he has really done more:

(8) He pointed out that this suspension of the operation of the embargo was not merely for ninety days, but was for so long as there were material improvement in the car balance situation—in other words, indefinitely—and provided evidence of this improvement became apparent within 15 days.

I told the Commissioner that I was extremely grateful, and that I was certain you and the Ambassador would also be very appreciative of his understanding and cooperation.

JOHN WILLARD CARRIGAN

812.77/1942 : Airgram

The Ambassador in Mexico (Messersmith) to the Secretary of State

MEXICO CITY, March 10, 1944—11 a. m.
[Received March 14—10 a. m.]

A–743. The President,[2] using his extraordinary war powers, has issued a decree amending certain portions of the laws governing the administration of the National Railways of Mexico.

This decree strengthens the powers of the General Manager in regard to organization, administration and personnel matters, and, more important, provides that the General Manager shall have the authority to dictate regulations to replace the stipulations in the workers' contract whenever the latter in his opinion obstruct or endanger the successful operation of the railroads.

The text and translation of this decree will be forwarded as soon as the *Diario Oficial* is available.[3]

MESSERSMITH

812.77/1950

Memorandum by Mr. John W. Carrigan of the Division of Mexican Affairs to the Chief of the Division (McGurk)

[WASHINGTON,] March 18, 1944.

MR. MCGURK: Colonel Johnson telephoned this morning and, referring to the railway car situation in Mexico, he said that matters were continuing to get worse. He said that he was trying his very best to hold off any action, but he said that he wanted us to know that he was just about "driven to the wall". He said that he wanted us to know that he was "very uneasy" and he recalled that his promise had been that he would hold off provided that an immediate improvement be shown, and provided that the situation continued to better itself. He said no immediate improvement was shown, but rather the very reverse. He said that "except for my high consideration for Ambassador Messersmith and the State Department, I would have clamped the embargo down on them ten days ago." . . .

I told the Colonel that we had communicated his conversation of the other day to the Ambassador, and that both the Ambassador and we were very anxious to see that President Avila Camacho's decree of March 9 had a fair and adequate opportunity to work itself out. He said that he wanted to give the decree an opportunity to work out also, but that he was really in a position such that he could not continue to hold off.

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[2] Manuel Avila Camacho.

[3] This decree of March 9, published in the *Diario Oficial* of March 11, 1944, is generally referred to as the Railroad Reform Decree of March 11.

I also told him that I believed that the reason wheat movements to Manzanillo had a very definite effect on the railway car situation, in [*was*] that, driven by the necessity of unloading the vessels as rapidly as possible, the Mexicans undoubtedly had had to concentrate an abnormal quantity of motive power and rolling stock in the Manzanillo area. I said that I would of course appreciate the advantage of this Australian wheat transaction since it meant a tremendous decrease in the amount of wheat we would otherwise have to haul across our own country. He said that he felt that this was an excellent reason, but that he also felt it was exceedingly unfortunate that when reasons as good as this existed the Mexicans did not take time out to tell us about them. He said that, in any event, this movement of Australian wheat could not account for the continued increase in cars moved into Mexico, and could not justify the continued decrease in cars coming back. He said that the Australian wheat movement was certainly a matter which should be taken into consideration.

He then emphasized once again that he was doing his best to avoid any adverse action, and that the reason that he was doing this was because of his high regard for the Ambassador and his desire to cooperate with the Department of State, but he also emphasized that his responsibilities and duties were such that his position of cooperation was becoming entirely untenable.[4]

JOHN WILLARD CARRIGAN

812.77/1963

The Ambassador in Mexico (Messersmith) to the Chief of the Division of Mexican Affairs (McGurk)

MÉXICO, D. F., March 18, 1944.

DEAR JOE: I have to refer to your telephone call this morning in which you informed me that the railways were bringing great pressure on Kendall with regard to the number of freight cars in Mexico, etc. Just as you were calling me on the telephone on this matter I was signing a letter to you, dated March 17,[5] which goes forward by the airmail this morning.

Immediately after your telephone call I got in touch with Stevens and we discussed this matter again, and I told him about your call.

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[4] As a result of this conversation, telephone contact was made the same day with Ambassador Messersmith in Mexico, after which a letter of the same date (not printed), signed by Secretary Hull, was sent to Commissioner Johnson requesting the avoidance of any early action restricting rail traffic into Mexico (812.77/1950).

[5] Presumably a letter concerning the need for refrigerator cars or two seagoing barges to move the banana and pineapple crops which faced destruction as a result of freight car restrictions (800.8810/1904).

Mr. Stevens is thoroughly understanding of this situation, as I am, and is doing everything in his power, but as we pointed out when Messrs. Kendall and King were here, there was going to be this temporary increase in cars, and as Stevens says over the telephone again this morning our railways will simply have to show some understanding and patience when they must realize the enormous efforts which are being made here. There is no use in our railways taking this attitude when every possible effort is being made here to alleviate the situation and when we are on the way towards making real progress. So far as I am concerned, I feel, as I have told you, utterly hopeless about these matters, because we simply cannot get any understanding of them, and if some one is trying to bring about a breakdown in Mexican-American relationships, or if these other people outside of the Department are utterly unconscious of the importance of these problems, then I suppose a breakdown can be facilitated, but, as I told you on the telephone this morning, the Department of State is responsible for the conduct of foreign relations, and if it cannot force certain situations and attitudes, then we are in a bad way indeed. If it is necessary for the Secretary or the President to give drastic instructions to some of these people, it has got to be done.

We have taken away from the Mexicans their ships and rail transport is all that there is left, and now our railways seem to be thinking in terms of nothing but constant threats of embargo and the Inter-State Commerce Commission seems to be willing to submit to these pressures from the railways and seems to be afraid of the Congress. All that is necessary to settle any of these things is a clear statement of some of these situations by the Department and, knowing Congress as I do, there will be no trouble there if there is an authoritative statement by the Department.

I myself cannot place all the responsibility for the things which are happening on the other agencies because the Department is responsible for the conduct of our relations with other States and is in a position to impose its will.

So far as the car situation is concerned, everything possible is being done, and the improvement will become felt in due course, but the railways don't seem to take into account the increased movement in traffic recently, part of which grew out of the embargo itself. The Department certainly has all the facts necessary to counsel patience and understanding, which I am sure it is doing, and at the same time has the authority to state to those concerned that patience and understanding must be exercised.

With all good wishes,

Cordially and sincerely yours, G. S. MESSERSMITH

812.77/1951

The Commissioner of the Interstate Commerce Commission (Johnson) [6] to the Secretary of State

WASHINGTON, March 21, 1944.

MY DEAR MR. SECRETARY: I have just received your letter of March 18,[7] your File MA.[8] I wish to assure you at once that the Interstate Commerce Commission will cooperate to the greatest possible extent in the Mexican railroad car situation. The margin of safety in United States transportation, however, is small and has been so over a long period. Our latitude is to some extent restricted. This makes it necessary to watch the Mexican situation closely.

Their long promised improvement is sporadic, often and suddenly getting into reverse. The number of freight cars in Mexico apparently should be about 3,000, not to exceed 3,500. Due to the dilatory tactics in Mexico, it hovers around 5,000 and threatens to go above it.

I am advised that a reorganization of the industry in Mexico, promised some time ago, has just been effected. Perhaps that will give some firmness to the situation which it has heretofore lacked.

I thank you very much for your letter and again assure you that we will be as cooperative as possible in the circumstances.

Very cordially yours, J. M. JOHNSON

812.77/1951

The Secretary of State to the Commissioner of the Interstate Commerce Commission (Johnson)

WASHINGTON, March 31, 1944.

MY DEAR COMMISSIONER JOHNSON: Thank you very much for your letter under date of March 21, 1944, further adverting to the Mexican railroad car situation, and assuring the Department of your continued cooperation in this matter.

The recent Decree of March 9, 1944, reorganizing certain features of the Mexican railway system, has, as you know, far-reaching possibilities. It embodies a basis for the implementation of the recommendations made by the United States Railway Mission to Mexico, and for certain other reorganization from which a marked improvement is firmly expected. Your cooperation and understanding have been deeply appreciated by the Mexican Government since the action

[6] Mr. Johnson was also Director of the Office of Defense Transportation.
[7] Not printed.
[8] Division of Mexican Affairs.

taken by the Interstate Commerce Commission with respect to the embargo was of a very real value indeed in obtaining public approval for the measures to be taken under the Decree of March 9, 1944. The opinion has been expressed that any precipitate reversal on our part of the present situation might go far to upsetting those wise bases upon which the Mexican Government looks for improvement in its railway system, and it is for this reason that Ambassador Messersmith is so desirous of our exercising the utmost patience as regards the present situation.

The Department realizes that this matter is indeed a difficult one for you, but it sincerely believes that from the standpoint of our over-all relations with Mexico, as well as from the point of view that we need all possible improvement in the Mexican railway situation, every possible support should be given the Mexican Government in its efforts to reorganize its railways.

Sincerely yours, CORDELL HULL

812.77/1982

The Director of the Office of Defense Transportation (Johnson) to the General Manager of the Mexican National Railway Lines (Ortiz)

WASHINGTON, May 1, 1944.

DEAR MR. ORTIZ: Mr. Stevens is in my office now. He has persuaded me, in spite of my repeated positive statements, to postpone action, in view of the contemplated rearrangements in Mexico looking forward to fixed improvements. I will take no steps now until the first of June. On the first of June, if material improvement has not occurred, cars to Mexico will be on permit only.

In the meantime, I am anxious that, because of a military situation that may develop any day, the number of American cars in Mexico be decreased or, at least, that the present number be not increased. Of course, it will still be pleasing to us, if it becomes necessary to establish a permit system, that a request to that effect come from Mexico.

Mr. Stevens has explained to us the delicate situation there. I am deferring to that condition with great reluctance. Of course, it is understood that, if the military situation demands a change, it will necessarily be made suddenly.

I hope that you will be able to arrange the Mexican situation to your satisfaction. You have my best wishes.

Very cordially, J. M. JOHNSON

812.77/1999

Memorandum by the Assistant Chief of the Division of Mexican Affairs (Carrigan)

[WASHINGTON,] May 29, 1944.

Homer King of the Office of Defense Transportation telephoned me the morning of May 27 to say that the freight car situation in Mexico had reached a point that it would be necessary for some control to be put into effect. He said that a telegram had been drafted, addressed to the National Railways, pointing this out. I said that I had two primary comments, one, that the word embargo should in no way be used, and, two, that I felt we should put this up to Mr. Messersmith before it were sent out, as he might have some comments to offer or might desire some changes. Mr. King agreed and gave us the text of the telegram over the telephone.

Mr. McGurk talked with Ambassador Messersmith at 1 o'clock, Saturday,[9] and read to him the text of the telegram. Mr. Messersmith said that, while he was not in favor of this action, he had but one principal request, and that was that the proposed date for the establishment of such control, June 1, be changed to June 5 or 6.

Immediately thereafter, I called Mr. King, and told him of the Ambassador's request and of the reasons therefor, and Mr. King said that of course June 5 would be the date used.[10]

I was talking to Mr. Bursley at 1:15 and I passed this date along to him.

JOHN W. CARRIGAN

812.77/2002

Memorandum of Telephone Conversation, by the Assistant Chief of the Division of Mexican Affairs (Carrigan)

[WASHINGTON,] June 3, 1944.

Ambassador Messersmith telephoned the evening of June 2, 1944, to refer to the question of United States railway freight cars entering Mexico. He referred to a telegram sent to Colonel Johnson by Ortiz of the National Railways asking for a short further postponement of action.

The Ambassador said that he thoroughly understood and appreciated Colonel Johnson's position and agreed that something would have to be done if there were no improvement within a short period.

[9] May 27.

[10] The June 5 date was substituted for June 1 in the altered telegram which was sent on May 27 to Antonio Vera, Sub General, National Railways of Mexico; not printed.

He indicated that the labor situation had developed very favorably during the course of Friday, June 2, and that he was very anxious that no monkey wrench should be thrown into the works at this particular moment. He made it clear that this control measure might prove to be a monkey wrench. He said he was absolutely sure that the labor situation had improved and he referred to the great improvement shown at all gateways where the situation has returned to normal, to the considerable improvement in motive power, and to the marked improvement in the "loss of car" situation. He said that a very unhappy situation could be produced for us out of this and expressed the hope that Colonel Johnson would be in a position to delay action for a short further period. He indicated that it was not yet possible to determine what this period should be. Of course, in the present situation with respect to labor, a delicate point had been reached which makes it impossible to determine just how good the improvement in the labor situation may come. The Ambassador asked that we take this up with Colonel Johnson and see what we could do. Pursuant to the Ambassador's directions, this matter was discussed with the Colonel who this morning informed me as follows: (1) Control must go into effect immediately; (2) he really expected a telegram from the Mexicans in reply to his telegram and said that he would be very happy to control at their request, but that if he did not hear from them he would be forced to establish it as a measure on the part of the United States Government; (3) He said that he was anxious to be as lenient as possible but that his duty was such that he simply had to take action at this time; (4) he referred to the fact that he had made every effort to bear with this situation in Mexico and he said that he had borne with this situation, and that he was still disposed to help them as much as he could. With this in mind, he said that he was very willing to endeavor to effect this control on any basis that the Mexicans liked and that he would try to apply in the most lenient fashion that he could, but he said that there must be a control.

He asked me to communicate this immediately to Ambassador Messersmith and to ask the Ambassador if it would not be possible for the Mexicans to tell us immediately of their desires with respect to the operation of this control.[11]

JOHN W. CARRIGAN

[11] On June 8, 1944, Antonio Vera sent a telegram to Commissioner Johnson listing nine import commodity categories in descending order of desired freedom from embargo restrictions; telegram not printed (812.77/6–844).

812.779/24

The Director of the Office of Defense Transportation (Johnson) to the Secretary of State

WASHINGTON, June 23, 1944.

Attention: Mr. Joseph F. McGurk

MY DEAR MR. SECRETARY: Due to the critical situation with respect to the car supply in the United States, it became necessary on June 10, upon my insistence and the concurrence of the management of the National Railways of Mexico, that the Car Service Division of the Association of American Railroads place an embargo on the movement of cars of United States ownership into Mexico. However, an appropriate permit system was established.

There has been no improvement in the return of these cars from Mexico since that time. In fact, the record is a little worse now than it had been for some time previous to the embargo. This indicates but one thing to me; that we have been too liberal in the issuance of permits. This, of course, was brought about by the desire to furnish the Mexicans with all the assistance possible in allowing commodities which they needed to be transported into that country.

The situation with respect to cars in this country has become very serious and is accentuated by the need of cars for the movement of the large grain crop which is now being harvested. It will be necessary, therefore, that the permits issued for the movement of cars into Mexico be materially reduced until the return of cars of United States ownership has been substantially increased.

We are informing you of the instructions which we are placing with the Association of American Railroads regarding this matter with the thought that you will be informed in the event complaints reach you or Ambassador Messersmith because of our action.

Very cordially yours, J. M. JOHNSON

812.779/24

The Secretary of State to the Director of the Office of Defense Transportation (Johnson)

WASHINGTON, June 28, 1944.

MY DEAR COLONEL: I have received and read with interest your letter of June 23, 1944. It is a pity that it became necessary to take these measures with respect to freight movements into Mexico, but, as you know, I have every faith in your good judgment, and I quite appreciate the reasons compelling you to direct this action.

The Department, nevertheless, is seriously concerned with respect to the Mexican economic situation, particularly in the field of food supplies. The Mexican Government is making every effort to control prices and to remedy what is a dangerous and vital situation. This Government, as you know, appreciating the fact that many sections of Mexico are faced with sheer hunger, has been doing everything within its power to try and help the Mexican Government find a solution to this major problem in the life of Mexico.

I know that you are thoroughly familiar with the situation, and, consequently, I am sure there is no need to explain my sincere hope that you may find an opportunity at as early a date as possible to consider a solution to the question of permitting the movement of grain and flour into Mexico to continue. It might be possible to arrange for the inclusion of grain foodstuffs in the automatic exemptions to the embargo order as this would provide for a long term solution.

I need not tell you how much we will appreciate anything you may do about this.

Sincerely yours, CORDELL HULL

812.779/6–3044

The Director of the Office of Defense Transportation (Johnson) to the Secretary of State

WASHINGTON, June 30, 1944.

MY DEAR MR. SECRETARY: I have received your letter of June 28, your file MA 812.779/24, which I have perused with great interest and sympathy.

We have held several conferences here, participated in by the Association of American Railroads, the Interstate Commerce Commission, and the Office of Defense Transportation, concerning American cars in Mexico, a question long acute and extremely unsatisfactory.

To review briefly, on representations from the State Department, including Ambassador Messersmith in Mexico, we lifted the Mexican embargo the latter part of February. It was stated by Ambassador Messersmith, the American interests in Mexico, and the Mexicans that, if the embargo were lifted, the matter would rapidly clarify and become satisfactory. We lost 4591 additional cars to Mexico promptly. The embargo was replaced June 10, after long discussion with the State Department, Ambassador Messersmith, and the Mexican railroads. We have already lost 289 additional cars.

Under the replaced embargo, the exceptions are aviation gasoline (a commodity exceedingly short in the United States), lubricating

oils and greases, and railroad company material. Permits allow 55 cars of grain, 15 of flour, and 2 of lard per day. Yesterday at Laredo alone there were 600 cars for Mexico, 300 of which were cleared. The Mexicans furnished two engines. They were able to move only about 80 cars out of 300.

Along the Sante Fe Railway in the United States alone there are 245,000 bushels of American grain on the ground today for the want of cars. There are several other roads in the grain belt that are straining every effort to move a tremendous American grain crop for which there is an insufficient number of cars. Last winter we were sending cars into Canada with American grain on the ground, and it caused some considerable acrimonious comment which was fully justified. If the farmers in the Southwest were apprised of the Mexican car situation and the liberality we have extended, we would have a justified recurrence of senatorial investigation.

Be assured we'll do all we can, but it seems high time the Mexicans exhibit some effort themselves. Such effort has been totally lacking up until this moment.

We will permit grain into Mexico, but there will be a corresponding decrease in other commodities allowed. Within a few more days, we will know whether the embargo as now existing will bring more cars out of Mexico than go in, say 80 percent in of those that come out. If that does not occur, we will rearrange the percentage to a lower figure in, but without expense to the food products, provided the food products don't exceed the allowable percentage in.

Very cordially yours, J. W. JOHNSON

812.77/7–1244

The Ambassador in Mexico (Messersmith) to the Assistant Chief of the Division of Mexican Affairs (Carrigan)

[Extracts]

MÉXICO, D. F., July 12, 1944.
[Received July 15.]

DEAR CARRIGAN: . . .

. . . . . .

. . . Personally I do not see any use for keeping the embargo in effect in any form now that we have the movement of cars north going forward in such volume and regularly.

Of course I know that Colonel Johnson thinks that this movement of cars north in better volume than for some time is due to his having put a scare into the Mexicans. He is utterly wrong about this. The

increase in cars here above the 5,000–6,000 level, which we had been able to maintain, was entirely due to the grain movement and the corn movement and this extra volume in Mexico is something which should have been reduced gradually and it would have been reduced gradually. As I pointed out in a previous letter, the emergency steps which are being taken to get cars back in this precipitated fashion are not good practice but the one ameliorating factor in the situation is that due to the mining strike the smelters have not been operating for some time nor the mines. The miners are now operating again but the smelters are not yet operating as the strikes in the American Smelting & Refining smelters are not yet settled. The need for cars for the movement of minerals and metals therefore recently has been somewhat less so that the precipitated movement north of empty American cars is not as serious as it might have been so far as the internal economy is concerned.

We have to reckon with the fact, however, that these cargoes of wheat from Australia and corn from the Argentine are beginning to arrive and it is simply necessary for the Mexicans to use some American cars for this movement or the ships cannot be turned around fast enough. The Mexicans have enough cars for ordinary movement but all these things are extra movement placed on the Mexican railways in addition to the burden which they carried before the war and of course they have not been able to get any new equipment since the war. The only thing they have had in the way of cars is some gondolas which they should never have bought anyway and for which they were rooked because most of them were of no use at all.

One of the things which the American Railways and which the Office of Defense Transportation does not understand adequately is that before the war Mexico had these sea services to the east and west coast as well as better coastwise service and this greatly reduced the burden on the railways. Another thing they forget is that in addition to this volume formerly carried by sea between the United States and Mexico, the railways are obliged to carry a very considerable increased volume of freight due to the development in the economy of Mexico and the increase in our trade. Another thing that some of our people, certainly not in the Department, have been disregarding is that the Mexicans simply do not have enough cars of their own to carry the volume of goods they have to carry and which we want them to carry. They won't be able to get any new cars, which they are quite ready to purchase, until the end of the war so we have to reckon with a certain use of railway cars of ours by Mexico during the war.

The important thing is to keep that use to a minimum and of course just as the Mexican Railways are inefficient in other ways, they are

naturally inefficient in this but we are getting progress and the situation is better already and I am sure will continue to get better.

. . . . . .

The movement of empty cars north is proceeding satisfactorily and I will keep you currently informed of developments.

With all good wishes,

Cordially and sincerely yours, G. S. MESSERSMITH

812.504/7–2044 : Airgram

The Ambassador in Mexico (Messersmith) to the Secretary of State

MEXICO CITY, July 20, 1944—11 a. m.
[Received July 22—8 a. m.]

A–2525. The Ministry of Labor has announced that an accord has been signed among the Syndicate of Railway Workers of the Mexican Republic, the Brotherhood of Mexican Railway Trainmen, and the Mexican Union of Brother Boilermakers, Helpers and the like.

The disputes and quarrels among these railway unions are considered one of the reasons for the inefficient operation of the railways and this accord may have an important bearing on the improvement of railway transportation which is virtually the key to the economic crisis in Mexico.

The full text and translation of the accord will be forwarded to the Department by airmail.[12]

MESSERSMITH

812.77/7–2244

Mr. E. M. Bishop of the United States Railway Mission in Mexico to the Ambassador in Mexico (Messersmith) [13]

MÉXICO, D. F., July 21, 1944.

DEAR MR. AMBASSADOR: Referring to telephone conversation this morning concerning the foreign owned cars within the Republic of Mexico as of 11 : 59 P. M., July 20. The car balance has been reduced since July 1, by 729 cars. The balance as of 11 : 59 P. M., last night was 8575, exclusive of refrigerator cars.

This reduction has been principally accomplished by delivering foreign owned cars empty to the U.S. Lines regardless of the requirements for export loading.

There has been a total of 1765 empty cars and 1169 loaded cars delivered to U.S. Lines July 1, to 20th inclusive. The delivery of

[12] Forwarded in despatch 18839 of July 19, 1944, not printed.

[13] Copy transmitted to the Department in letter of July 22 from Ambassador Messersmith to Mr. McGurk; received July 26.

empty cars has resulted in an accumulation of export business, particularly of ores and concentrates.

A survey of these ores and other materials on hand for movement to the United States indicates that it will require approximately 100 cars per day for the next 30 days to move the accumulation and current production.

I believe that the present car balance can be about maintained with the present volume of import movement, and at the same time furnish a sufficient number of empties to move ores and other materials.

The only way this car balance can be further substantially reduced is to continue to ignore the requirements of export loading or to drastically restrict imports.

Yours very truly, E. M. BISHOP

812.77/7–2544

The Chief of the Division of Mexican Affairs (McGurk) to the Ambassador in Mexico (Messersmith)

[Extracts]

WASHINGTON, July 28, 1944.

DEAR MR. AMBASSADOR: I refer to your letters and enclosures of July 22 and 25, 1944 [14] reporting on the present status of the movement of freight cars between the United States and Mexico and in regard to the control which the American Association of Railways has been exercising in this regard. You stated that Dr. Padilla had asked you to take up this matter with the Department and with Colonel Johnson, and in your second letter under reference you forwarded a letter from Dr. Padilla addressed to Colonel Johnson. That letter has been delivered together with copies of your letters.

You raised at least four main questions in your letters, and these questions have been very thoroughly discussed with the American Association of Railways, which apparently is the responsible organization for the movement of American freight cars, and with Colonel Johnson. The four questions which you raised may be summarized as follows:

1. On what authority does the American Association of Railways regulate the movement of freight cars between the United States and Mexico?
2. Who should exercise control or regulate the movement of cars, if regulation is necessary?
3. How can any necessary control be exercised?
4. What should be considered the normal number of American freight cars in Mexico?

[14] Letters and enclosures, with exception of Mr. E. M. Bishop's letter of July 21, *supra*, not printed.

The answer to the first question apparently is that the American Association of Railways represents the owners of the freight cars under consideration and that the Mexican National Railways is a member of that Association and with that membership not only enjoys the rights of membership but also the control exercised by the Association over its other members. I understand that similar restrictions are exercised by the Association over its members at all times. For example, during the present wheat loading season the member railroads make daily reports of their available cars and of their grain loadings and if they do not make efficient use of the cars available, measures are taken to restrict the delivery of cars to them. Conversely, if a railroad is short of cars for actual loading, other railroads are ordered to deliver cars to the grain loading railroad. The Association feels that the regulation of the delivery of cars to the National Railways of Mexico is merely along the lines of this well-established practice.

Apparently the interest of the ODT [15] in this matter is not in regard to procedures, but the responsibility of the ODT is to see that all transportation equipment is as fully utilized as possible in the defense effort. In the carrying out of this responsibility, it, of course, is in a position to insist that the Association and its members make the best possible use of their equipment.

The second question, who should control or regulate the movement of cars, if regulation is necessary, is a very important one, as you point out, because of the repercussions which may arise from any impression or conviction that an agency of this Government or an American organization is exercising control in Mexico. The present situation is admittedly very unsatisfactory. The Mexicans feel that we are interfering in an internal problem in Mexico, according to Mr. Ortiz' memorandum.[16] He feels that little attention is being given to requests that certain materials be given precedence over others. On the other hand, the Railway Association is in the awkward position of trying to regulate from Washington the movement of freight cars into Mexico without having an established and direct liaison with the Mexican Railways. The attached copy of a letter dated July 24, from Mr. Arnett [17] to Mr. Jaime of the National Railways of Mexico [18] indicates the apparently sincere desire of the AAR [19] to be guided by Mexico's wishes, but in view of the cases cited by Mr. Ortiz which had not come to the attention of Mr. Arnett it is very

[15] Office of Defense Transportation.

[16] Copy of memorandum dated July 19, 1944, transmitted in letter of July 22 from Ambassador Messersmith to Mr. McGurk; neither printed.

[17] Mr. Hamilton Arnett, Association of American Railroads.

[18] Letter to Mr. J. A. Jaime, Superintendent of Car Service, Mexico City, not found in Department files.

[19] American Association of Railways.

apparent that liaison in this regard is not very effective. The Association itself realizes that the procedure is full of undesirable possibilities in spite of their apparently sincere desire to cooperate fully.

It is possible that the situation could be easily solved by a mutual recognition of the problem, which might be stated somewhat as follows:

1. The capacity of the Mexican railroads to handle freight is definitely limited;
2. To avoid piling up of freight cars at the border or within Mexico it is necessary to control the release of cars toward the border;
3. Within the limits established by the capacity of the Mexican railroads to handle freight and within wartime limitations, it is certainly up to the Mexicans to determine what freight should be given precedence.

. . . . . .

The answer to the third question, how can any necessary control be exercised, may possibly lie in a procedure which the AAR already follows in this country. In St. Louis, for example, there is a regional control or liaison officer who keeps in constant contact with the office here in Washington, supplying information and transmitting instructions to railroads in the region. I believe the AAR would be willing to arrange for such an officer in Mexico City, who, within the physical limitations of the Mexican railroads, would receive from the Mexican National Railways an expression of its wishes as to what freight should be loaded on American lines to maintain an equalized flow to and from the border. In that case, neither the liaison officer nor the American Association of Railways would have discretionary powers as to what should be loaded or what should be denied loading permits. The liaison officer would merely be the channel for reporting to the Mexican Railways information regarding loading applications and other important details and for receiving from the Mexican Railways instructions as to what freight should have preference. I do not think it would be very advisable for us to make suggestions to the Mexicans as to how they should determine their preference.

The fourth question, as to what should be considered the normal number of American freight cars in Mexico at a given time without causing concern, is one on which a good many estimates have been made, ranging from 3,500 to 7,000. I do not think that the ODT would be willing to release its pressure on the AAR until the number of cars in Mexico has at least been reduced to the higher figure. After that, it would appear desirable to effect further reductions but perhaps at a more leisurely rate. Success in this undertaking, of course, depends on many technical factors and especially on further improvement in railroad efficiency in Mexico. It is pointed out here that as of April 1, 1944, on the only occasion when such a check was made, the ratio of

loadings in Mexico to cars held was 8.3 to 1, while the ratio considered normal on American railroads is 3 to 1.

In your discretion, you may wish to discuss the suggestions made in this letter, which are acceptable to the AAR and the ODT, with Dr. Padilla.

With all good wishes,

Sincerely yours, J. F. McGURK

812.77/7–2944

The Ambassador in Mexico (Messersmith) to the Chief of the Division of Mexican Affairs (McGurk)

[Extracts]

MÉXICO, D. F., July 29, 1944.
[Received August 1.]

DEAR JOE: I have received your helpful confidential letter of July 28, stating that you have my letters of July 22 and July 25 [20] reporting on the present status of the movement of freight cars between the United States and Mexico, and in regard to the control which the A. A. R. has been exercising. You recall that I stated that Dr. Padilla had asked me to take up this matter with the Department and with Colonel Johnson. I forwarded you with my second letter under reference the original of a letter from Dr. Padilla to Colonel Johnson, which I note has been delivered, as well as copies of my letters.[21]

Since writing you on July 22 and July 25, I have been sending you, I believe, daily reports covering the movement of cars and you will note that constantly since July 1 the Mexican railways are delivering daily to the United States more American cars than they are receiving, and that the balance of cars returned over those received is consistently favorable. You will also note that the number of cars being returned loaded instead of empty is increasing in volume. This movement of cars north, empty and loaded, means a very real effort on the part of the railways here. I do not have the figures for today before me, but I am sure that the number of American cars today in Mexico must be something under 8000, which is a very considerable reduction from the 9400 cars which were here around July 1.

It is good of you to give me the full information which you do in your letter and it is very helpful to me. I will not endeavor to comment fully today, but there are a few points which I wish to clarify.

The fact remains that it is the A. A. R. which is carrying through this control and which is determining what shall be shipped and what

[20] Letters of July 22 and 25 not printed.
[21] None printed.

shall not be shipped, and that is the assumption of a very serious responsibility by a private organization. There is a good deal of dissimilarity between the functions of the A. A. R. in the United States in the functions it carries through in the distribution of cars among the American railways and in the exercise of this function as it affects another country. In the one case we are concerned with an internal matter in our own country, and in the present case we are concerned with the exercise by the railways or an official of the railway association of a function which so definitely affects many aspects of the economic life of another country, and the economic life of another country which is so largely dependent for much of its raw material upon our country. This is a function which I do not believe that any private organization can properly carry through at home, no matter how well staffed it is, and no matter how well staffed it is it should not try to carry it through. I realize the correctness of what you say in your letter, but the facts do not change the fundamental situation, which is that the A. A. R. is exercising a function which definitely affects many aspects of the economic life of Mexico, and which in practice is causing very serious disturbances.

By the same token, our own Government should not exercise this control nor endeavor to exercise it, for it would put us in the position as a government, let us say through the Office of Defense Transportation, of determining what dislocations would take place in the internal economy of Mexico. I am sure that Colonel Johnson, as head of the ODT, would not wish to assume that function. As you very definitely say, it is the function of the ODT to keep goods moving, and it is not the function of the ODT, as it is not of the A. A. R., to determine which industry shall be favored and which shall not.

. . . . . .

In your helpful letter, you do not give me any indication as to what the attitude of the Department, of the ODT and the A. A. R. may be with regard to the recommendation which I have made and which the Mexicans have made as a request, that the restrictions be lifted. The only reference to this in your letter is that you believe that the ODT would not be willing to release its pressure on the A. A. R. until the number of cars in Mexico has at least been reduced to 7000. I think this would be an arbitrary attitude to assume, whether it is by the Department or by the ODT or the A. A. R., because none of us have any adequate basis to determine or have made any proper effort to determine what the maximum number of cars in Mexico, considering the traffic, should be. We have simply gone on the basis that there is bad management in the Mexican railways and improper retention of cars and therefore we apply these what can be nothing

other than haphazard, and therefore demoralizing, measures. The number of cars today, as I have pointed out, is already under 8000, and it has been reduced to this since July 1 from something over 9400. This should be adequate basis for the ODT and the A. A. R. to eliminate the restrictive loading measures, and this in my opinion is what should be done in our interest.

You do not make any comment on the possibility of Colonel Johnson coming to Mexico City. I think it would be a good thing for him to do. I repeat that I know it is difficult for him to get away, but if he cannot get away then he should send someone in his confidence down here and whose word he is willing to take.

You make some suggestions that a certain procedure could be worked out similar to one used in the United States with respect to car loadings. This is something which would have to be gone into very carefully, and it should be gone into with the Mexican railways and with the Mexican Government, and its officials here, not in the United States but here, for it is here that we have the problem and it is here that it can be studied. I therefore repeat two recommendations which I hope may be acted upon immediately and favorably by the Department and by the ODT and the A. A. R. I wish it to be clear that I make them as much in our interest as I do in the interest of the Mexican economy. I recommend:

(1) That the restrictions be lifted as of August 1, completely.

(2) That as soon as may be feasible Colonel Johnson or someone in his confidence, and a high official of the proper competence of the A.A.R., come to Mexico City in order to discuss this matter with the Embassy, with our Railway Mission here, with the Mexican railways and with such Mexican Government officials as it may be deemed desirable for them to contact in this study of the matter. If any form of restrictive measures should again be necessary, the only way to work out how such restrictive measures should be exercised would be if they come here and talk this matter over.

Mr. Stevens, the head of the Railway Mission, and his principal associates are in accord with my recommendation that the restrictive measures should be completely lifted. Mr. Scanlan, the transportation officer in the office of Mr. Ransom, is in complete agreement with this recommendation.

As the present method of applying the restrictions is obnoxious and as it is causing serious demoralization in industry and economy here, and as the Mexican railways for a period now of almost an entire month have shown such excellent performance in reducing the car balance, I can find no excuse for the continuance of the restrictions except pure arbitrary action, and I am sure that purely arbitrary action is not the basis of procedure of either the Department or of the ODT and the A. A. R.

I would appreciate your sending a copy of this letter to Colonel Johnson and in his and your discretion also to the A.A.R. I would appreciate information as to the reaction of the ODT and the A.A.R.

With all good wishes,

Cordially and faithfully yours, GEORGE S. MESSERSMITH

812.77/7–2944

The Acting Deputy Director of the Office of American Republic Affairs (McGurk) to the Ambassador in Mexico (Messersmith)

WASHINGTON, August 7, 1944.

DEAR MR. AMBASSADOR: I refer to your letter of July 29, 1944 and to previous correspondence in regard to the regulation of American freight cars going into Mexico. Copies of your letter were furnished Colonel Johnson several days ago, as suggested by you, and with his concurrence copies were also furnished to Mr. Buford [22] for study. This morning Colonel Johnson telephoned that he was ready to discuss the matter and that he had invited Mr. Buford to be present.

The recommendations on page six of your letter of July 29 were taken up in reverse order. Colonel Johnson stated that it would be impossible for him to visit Mexico to discuss the problem at the present time, and that he felt strongly that any discussions on the subject should be held here. He said he would be very glad to have Mr. Ortiz come up with any representatives the Mexican Government might wish to accompany him. He said that Mr. Ortiz had telegraphed an invitation to him to come to Mexico, but that he was replying today by telegram, inviting Mr. Ortiz or other representatives to come to Washington.

In regard to your first recommendation, that the restrictions be lifted immediately and completely, Colonel Johnson stated that Mr. Ortiz had made the same recommendation to him in the telegram under reference. Colonel Johnson's attention was also invited to the fact that, as stated in your letter and in your telephone references to the subject, this was also the strong recommendation of the Mexican Government.

Both Colonel Johnson and Mr. Buford stated emphatically, and reiterated their stand throughout the discussion, which lasted more than an hour, that it would be impossible to make an exception of Mexico in regard to a system of priorities for car loadings. They pointed out that a parallel situation to that with Mexico existed in the United States with regard to other allied governments, that Great Britain and even our own War and Navy Departments were subject

[22] C. H. Buford, vice president of the Association of American Railroads.

to similar controls in the interest of the war effort and that nothing was loaded for movement to ports for overseas shipment until the loadings were approved by commissions especially set up for that purpose.

There is enclosed for your information in this regard a letter from Mr. Buford of the AAR [23] to which are attached copies of the "embargo" order in regard to Mexico, as well as that which "embargoes" or similarly restricts the movement of freight to ports for overseas shipment. It is unfortunate that the word "embargo" is used in this way since it has undesirable connotations. The so-called embargo is but a regulation, not a prohibition, of freight car loadings.

Colonel Johnson then suggested, as indicated above, that he believed the solution of the problem would be for appropriate Mexican officials to come here to discuss the matter with a view to establishing here a liaison officer who would inform the American Association of Railways, as do the commissions representing other Governments, which shipments should have priority.

Both Colonel Johnson and Mr. Buford pointed out that to remove restrictions, in their opinion, would only result in a rush of materials to the border with a repetition of the movement last spring when regulation was removed. Mr. Buford stated that the AAR was daily flooded with requests from shippers who wanted to send to Mexico large quantities of all kinds of goods, most of which would find a ready market there but which in no way could be considered essential. He said these shipments would very quickly glut the Mexican lines and cause greater complications.

Both Colonel Johnson and Mr. Buford, however, were sympathetic to the idea of a progressive reduction in the ratio between cars delivered to Mexico and those returned as the situation continues to improve. They pointed out that the return of cars during July worked out at 1.72 to each car delivered to Mexico, and that they were willing to permit this ratio to decrease gradually, as efficiency in car service improved.

They estimate that the present situation is that about 8,000 freight cars are still in Mexico, not including refrigerator cars, which would bring the present total to about 8,500.

In the light of the above information, you may wish to discuss this matter with Dr. Padilla and/or Mr. Ortiz. Since a similar arrangement is working satisfactorily with other governments through a liaison officer or commission here, it would appear reasonable to ask the Mexicans to work out a similar procedure whereby their representative would inform the AAR daily as to which loadings should be made up to the limit of possible loadings. On occasion, it is pos-

[23] Letter addressed to Mr. MacLean, not found in Department files.

sible that some preference would have to go to shipments in which this Government was interested for defense reasons, but it is not believed that such shipments would be of a nature or size to cause any controversy.

In discussing this matter with Dr. Padilla, you may state in all sincerity that both you and the Department made the strongest of recommendations looking toward the elimination of regulation, but that these recommendations could not be sustained in view of the fact that the war effort has made it imperative to regulate all freight traffic in a similar manner.

Sincerely yours, J. F. McGURK

812.77/8–1044

The Ambassador in Mexico (Messersmith) to the Acting Deputy Director of the Office of American Republic Affairs (McGurk)

MÉXICO, D. F., August 10, 1944.

DEAR JOE: I have to refer to your telephone conversation of August 8, during the course of which you stated that Colonel Johnson of the ODT and the officials of the AAR had expressed a desire that Mr. Ortiz, the General Manager of the Mexican National Lines, and one or more of his technical assistants come to Washington to discuss the question of car loading restrictions in order to endeavor to arrive at a resolution of this vexing and important problem. I also have to refer to my letter of August 8 [24] in which I wrote you that I would endeavor to see Mr. Ortiz about this matter immediately.

I also have to refer to your letter of August 7 in which you refer to my letter of July 29, and previous correspondence, with regard to the regulations for American freight cars going to Mexico. I note that copies of this letter were furnished to Colonel Johnson and to Mr. Buford.

I have read with interest your letter of August 7, and its enclosures, and I note therefrom that Colonel Johnson states that it would not be possible for him to come to Mexico and that he makes the suggestion that Mr. Ortiz and one or more of his technical assistants come to Washington to discuss this matter.

Mr. Ortiz of the Mexican National Lines has been exceedingly occupied the last few days with very important administrative details affecting the railways, and I have not been able to see him. In any event, as it involved Mr. Ortiz going to Washington, I thought it best to take up this matter with the Minister for Foreign Affairs who has shown such a continuously helpful and constructive interest

[24] Not printed; this letter transmitted a memorandum of the above-mentioned telephone conversation on the morning of August 8.

in this matter. During a conversation with the Minister for Foreign Affairs, Dr. Padilla, this morning I stated to him that my recommendation that the car loading restrictions be lifted entirely had been considered by the Department, by the ODT and by AAR, and that the ODT and AAR were of the opinion that if these restrictions were lifted entirely there would be a repetition of the situation which is now being gradually corrected. I said that there was an enormous volume of freight for Mexico in the United States awaiting shipment and that if the loading restrictions were removed there would, in the opinion of the ODT and AAR, be such a movement of cars that the Mexican National Lines would not be able to cope with it.

I said that the ODT and AAR did not like this position that they were in of determining what freight should be loaded for Mexico, when freight could not move freely, as they realized that this involved undertaking functions, so far as selection of cargo is concerned, by the Mexican authorities. I said, however, that there was such a volume of freight moving in the United States that just as there were car loading restrictions for Mexico, there were car loading restrictions which affected the internal movement of freight in the United States. I said that as long as the volume of cargo within the United States and for Mexico was so considerable, certain car loading restrictions seemed to be inevitable. The question, therefore, was to determine what type of restrictions would be the most effective, and at the same time, least obnoxious and least disturbing to the internal economy of Mexico.

I said to the Minister that it was the desire of Colonel Johnson and of the AAR that Mr. Ortiz make a trip to Washington as soon as possible, accompanied by one or two of his technical assistants, in view of the fact that Colonel Johnson could not come to Mexico on account of his occupations. I said that this would give an opportunity for Mr. Ortiz and his assistants and for ODT and AAR to sit down together and to arrive at an arrangement with respect to car movements and loadings, which it was to be hoped would be mutually satisfactory and helpful. I said that one of the things which ODT and AAR had in mind was that a competent official of the Mexican National Lines should be in Washington in constant and direct contact with ODT and AAR with respect to car loadings, as in this way the desires of the Mexican Government and of the Mexican Lines, and the needs of the Mexican economy, could be more effectively met.

I expressed the hope that Mr. Ortiz and one or more of his assistants would be able to proceed to Washington in the very near future.

Dr. Padilla was obviously disappointed that the car loading restrictions could not be removed completely at once. He said that he would immediately take up this matter with Mr. Ortiz to the end that he go

to Washington without delay. In view of the fact that the President of Mexico is so intimately interested in this matter of the railways, because of its effects on the Mexican economy, and in view of the fact that the Minister was seeing the President this afternoon, I think Dr. Padilla will also take up with the President the question of Mr. Ortiz going to Washington in the very near future.

I think I should say that just as it is difficult for Colonel Johnson, with his very broad obligations, to leave Washington to come to Mexico, so it is difficult for Mr. Ortiz, even with his much narrower obligations in Mexico, to leave here for a few days for this trip to Washington, but I am sure that in view of the importance of the matter, and the obvious necessity for such a conference in view of our indications with respect thereto, that he will proceed to Washington in the very near future.

I will keep you informed as to developments.

With all good wishes,

Cordially and sincerely yours, GEORGE S. MESSERSMITH

P.S. I am sending you this letter in quadruplicate in case you wish to send a copy each to Colonel Johnson and Mr. Buford.

812.77/8–2144

Memorandum of Conversation, by Mr. William G. MacLean of the Division of Mexican Affairs

[WASHINGTON,] August 21, 1944.

Subject: Regulation of Freight Car Movement Between United States and Mexico.

Participants: ODT:—Colonel J. M. Johnson, Director; Mr. H. F. McCarthy, Deputy Director; and Mr. Connor.
Mexican National Railways:—Mr. Benjamin Méndez, Traffic Manager; and Mr. Raúl Campos, Asst. Traffic Manager.
Pemex:[25]—Mr. Rodolfo M. Fernández, and assistant.
AAR:—Messrs. Buford, Chandler and Arnett.
FEA:—Messrs. Brown, Gardiner and Scanlan.
ICC:—Mr. Klinger [*Clinger*].
CIAA:—Mr. De Camp and Major General Schley.
State:—William G. MacLean, MA

Colonel Johnson opened the meeting with appropriate words of welcome to Messrs. Méndez and Campos of the Mexican National Railways, who had come to Washington as the result of exchanges of communications between the Department and Ambassador Messersmith

[25] Petróleos Mexicanos, Mexico's Government-controlled oil industry.

and between the Office of Defense Transportation and the American Association of Railroads and Mr. Ortiz, General Manager of the Mexican National Railways. Colonel Johnson said that the object of the meeting was to consider the movement of railway freight cars between the United States and Mexico in view of the over-all war needs.

Mr. Méndez thanked Colonel Johnson for his welcome and made a very clear statement of the present situation, stating that the Mexican National Railways were embarrassed not only as neighbors but also technically speaking, because of the large number of American freight cars now in Mexico. He said that the National Lines, therefore, wishes to clear out many of the cars still there to bring the number of cars to a level which could be better handled, from which time it would be desirable to exchange cars on an equal basis.

Colonel Johnson then said that at present there were approximately 8,500 cars in Mexico, including refrigerator and tank cars, and Mr. Méndez immediately accepted that figure. Colonel Johnson said that at one time it had been mentioned that 5,000 cars would be a reasonable number, and Mr. Méndez immediately agreed and further stated that the Mexican Lines had been handicapped by too many cars in Mexico. Messrs. Johnson and Méndez agreed that Mexico would no doubt receive many more cars of merchandise if there were fewer cars in Mexico at a given time to clog the lines.

Colonel Johnson also stated that if the war in Europe was won at an early date, the ODT would then be faced with the tremendous problem of reversing the prevailing movement of freight and would have a greater volume than ever moving toward the Pacific Coast, which would make it increasingly important to secure every possible freight car. He said that it was this concern which made it necessary to regulate the use of American cars, not only between Mexico, Canada and the United States, but also as between shippers in the United States, including the War and Navy Departments and foreign governments to whom vast quantities of matériel had to be shipped by sea through certain base ports.

Mr. Méndez said he recognized these reasons as well as reasons of operating efficiency on the National Lines and that he was glad to say that the Mexican lines were now sending and would continue to send back cars over and above those sent in just as rapidly as possible. He said that it was difficult to determine off-hand what the correct number of cars in Mexico should be but that the National Lines definitely did not want as many cars as they now had. There was then almost immediate agreement that the determination of what material should be loaded for Mexico would be left to the Mexicans and that

they would set up a sifting procedure in Mexico City. The results of the sifting would be communicated to Mr. Campos, who would remain here in Washington, who would inform Mr. Arnett of the American Association of Railroads what materials were to receive preference and therefore be licensed first.

Mr. Méndez said he had four points in mind in regard to this procedure:

(1) He would like to know what shipping permits were outstanding;
(2) It was planned to establish an office in Mexico City to determine what should be shipped;
(3) Mr. Campos will be informed daily of the determinations made and will communicate them to the AAR which would issue permits in conformance;
(4) Mr. Méndez said it would be helpful in this regard to establish an average number of cars which would be received from the United States during a month, and stated that cars would be sent out as fast as possible in excess of this number until possibly 5,000 cars were left in Mexico or possibly a much smaller number.

Colonel Johnson then reviewed the movement of cars since the restrictions were placed in force in June, and he and Mr. Méndez agreed that the objective would be to reduce the total number of cars to 6,000 by December 1, 1944.

It is interesting to note that Colonel Johnson established the objective of 6,000 rather than 5,000 as suggested by Mr. Méndez and that Colonel Johnson also took the initiative in establishing the December 1 date rather than an earlier one which Mr. Méndez had characterized as satisfactory.

Mr. McCarthy of the Office of Defense Transportation said that it would be very desirable to have all the machinery set up in Mexico before a change of system was announced, and it was agreed that this was a wise precaution. Messrs. Brown and Scanlan of the Foreign Economic Administration point out that the FEA had considerable interest in moving strategic materials to the United States and in moving machinery to Mexico to maintain the flow of these strategic items. It was agreed that this interest would definitely be kept in mind.

The meeting ended with an understanding that Messrs. Méndez and Campos would meet immediately with representatives of the AAR and work out a definite procedure which would then be submitted for discussion by the group present at the meeting described in this memorandum, the meeting to be called by Colonel Johnson as soon as the plan was completed. As indicated above, Colonel Johnson handled the situation very tactfully and there was apparently a complete meeting of minds on basic principles between those present.

812.77/8–2444

Memorandum of Conversation, by Mr. William G. MacLean of the Division of Mexican Affairs [26]

[WASHINGTON,] August 24, 1944.

Subject: Regulation of Freight Car Movement Between United States and Mexico.

Reference is made to the memorandum of the meeting on August 21 on this same subject at which it was decided that the representatives of the Mexican National Railways would work out, in consultation with representatives of the American Association of Railroads, a definite procedure for the regulation of the movement of freight cars between the United States and Mexico and would submit it to a later meeting. Colonel Johnson called the meeting today to hear the report of the above-mentioned individuals.

Mr. Méndez stated that a procedure had been worked out and that it was based upon orders received from Mr. Ortiz, General Manager of the Mexican National Railways, to cut receipts of cars into Mexico to 100 cars daily, distributed as follows:

50	cars	through	Nuevo Laredo
20	"	"	Ciudad Juárez
20	"	"	Piedras Negras
10	"	"	Brownsville

He said that this was the capacity of the Mexican Railways to move cars currently and with dispatch. What shipments were to be included in these 100 cars would be passed upon by Mr. Campos as representative of the Mexican National Railways who would instruct Mr. Arnett of the AAR, who would then issue the necessary permits. Colonel Johnson stated that this procedure would no doubt be completely satisfactory to the American railroads and that it would be greatly appreciated, and Mr. Méndez said that the arrangements suited him perfectly. Mr. Méndez then reiterated that the Mexican National Lines don't want any more cars than they can move currently and said that if trouble developed, they might ask for fewer cars and if everything moved smoothly, they might possibly ask for more cars.

It was then pointed out that the Mexicans should return an average of 130 cars a day in order to meet the December 1 date with a balance of 6,000 cars of all kinds in Mexico. In commenting on this, Mr. Méndez said that he thought it could be done and that it might even be possible to cut the figure lower.

[26] The participants in this meeting, with the exception of the absent CIAA representatives, were the same as those listed in the memorandum of the August 21 meeting, *supra*.

A number of suggestions were made regarding more adequate loading of cars and more stringent measures to secure prompt unloading. Mr. Méndez said that plans were being made to increase demurrage charges from 30 pesos to 100 pesos per day beginning with the third day a car is held.

During the meeting Colonel Johnson said he thought it would be very helpful if Mr. Méndez would call upon Ambassador Messersmith and discuss this arrangement with him. At the end of the meeting I took the opportunity to state that I was sure Ambassador Messersmith would appreciate a call from Mr. Méndez because the Ambassador had been following this matter closely and was very much interested in an outcome satisfactory to all parties, as those present knew. I also suggested, in commenting on certain statements made by the representatives of FEA that it would be desirable to refrain from referring to this regulation as a reason for denying individual licenses to Mexico. This suggestion was agreed to.

In general, the procedure is that priorities for shipments will be determined in Mexico City and Mr. Campos is to be informed of those priorities by the Mexican National Railways. Mr. Campos may also receive applications here in Washington, but in that case he is to forward them to Mexico for consideration and for inclusion in its orders.

812.77/9–2144

The Ambassador in Mexico (Messersmith) to the Secretary of State

No. 20,288 MÉXICO, D. F., September 21, 1944.
[Received September 26.]

SIR: I have the honor to refer to my despatch No. 5252 of November 18, 1942,[27] with which I transmitted a copy of a note received from the Minister of Foreign Relations concerning the establishment of a Railway Mission in Mexico to collaborate with the Mexican National Lines, and transmitting as well a copy of this Embassy's note of the same date to the effect that our Government was prepared to collaborate in the form of such a Mission and outlining in the note the obligations undertaken by our Government in connection with the Mission.[28] The Department will recall that prior to this exchange of notes there had been considerable correspondence between the Department of State and this Embassy and that in carrying through this exchange of notes the Embassy was following out the instructions

[27] Not printed.
[28] For information concerning these notes, see footnote 88, p. 1234.

of the Department of State, which was working in this matter in collaboration with the Office of the Coordinator of Inter-American Affairs.

Under date of July 14, 1944, I received a letter from Mr. Nelson Rockefeller, the Coordinator of Inter-American Affairs, stating that his Office had for some time been considering the future of the United States Railway Mission in Mexico as established under the exchange of notes. A copy of Mr. Rockefeller's letter is transmitted herewith (Enclosure 1).[29] It will be noted that in this letter Mr. Rockefeller states that he believes that it would be advisable to consider the possibility of limiting the obligations of our Government under the exchange of notes to the technical assistance which the Mission can provide and to eliminate at an appropriate time, in the foreseeable future, the work which we have been doing in collaboration with the Mexican National Lines in physical rehabilitation.

I replied to Mr. Rockefeller's letter of July 14, under date of July 20,[30] and stated that I was in accord with him that the time had come when we should consider limiting the work of the Mission, so far as our Government is concerned, to the technical assistance which the Mission can give. I suggested that we carry out the commitments which we had made for physical rehabilitation for the third and fourth quarters of 1944, and as of Jan. 1, 1945 assume no further commitments for physical rehabilitation but confine ourselves as of that date to the technical assistance of the Mission. I said that, of course, any commitments which we had undertaken for physical rehabilitation during 1944, which were not completely carried through by December 31, 1944, should be completed in the first half of 1945.

Mr. Rockefeller was in agreement with this thought[31] and it was agreed that at the appropriate time I would discuss such a change in the original exchange of notes with the Mexican Government.

During the early part of this week I called on the Minister of Foreign Relations and I set forth to him the reasons why our Government was considering limiting its obligations under the exchange of notes to technical assistance as of January 1, 1945. I went into the matter fully with the Minister and found him thoroughly understanding and he indicated that the Mexican Government would be in agreement with such an exchange of notes. I, therefore, told him that I would prepare a note in the sense of our conversation and leave it with him before my departure at the end of this week for a brief stay in the United States.

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[29] Not printed.

[30] Not found in Department files.

[31] Mr. Rockefeller expressed agreement in his reply to the Ambassador dated August 7, 1944; not printed (812.77/8–744).

I have, therefore, prepared a note No. 3088 of September 21, 1944,[32] which I will leave with the Minister tomorrow. As this note is self-explanatory, I am not making further comment. I feel sure that the Mexican Government will be in agreement with the terms of this note.

The work of the Railway Mission has been more than justified and the amount of money which we have spent for physical rehabilitation is only about one-fifth of the amount which we originally contemplated we could properly and usefully spend in physical rehabilitation. The cost of our participation in physical rehabilitation has therefore been very small as the records of the Coordinator and the Mission will show and the money has been most usefully spent and has redounded very much to our advantage in the war effort as well as being of advantage to the Mexican Railways and economy.

I think, however, that the time has come, in view of the fact that the movement of strategic materials from Mexico is becoming less important, for us to limit our participation in the work of the Mission to the technical assistance which the Mission can render.

When I discussed this change in the exchange of notes with the Minister early this week he took the opportunity to express the deep appreciation of the Mexican Government for the work which the Mission has been and is doing.

Respectfully yours, G. S. MESSERSMITH

812.77/11–2544

The Chief of the Division of Mexican Affairs (Carrigan) to the Ambassador in Mexico (Messersmith)

WASHINGTON, November 25, 1944.

DEAR MR. AMBASSADOR: Much as I dislike to add to the problems which are demanding your attention, I believe you should be informed of the latest development in the matter of the movement of American freight cars into Mexico. This letter will also confirm the information on the subject given to Mr. Bursley by Mr. MacLean by long-distance telephone today.

Colonel Johnson of the Office of Defense Transportation telephoned MacLean late yesterday that there had been a loss of three hundred American freight cars into Mexico in the preceding days and that would mean a definite failure on the part of the Mexicans to meet the December 1 "dead line", by which they were to have the American cars there reduced to six thousand. He interpreted the situation to indicate that they were not taking the matter sufficiently seriously

[32] For text, see Institute of Inter-American Transportation, *The United States Railway Mission in Mexico, 1942–1946* (Washington, 1947), p. 89.

and stated that he would have to take definite action on December 1 to bring about the favorable balance desired. He first mentioned an order requiring a return of more than one car from Mexico for every car going in, but later, after MacLean had set forth the many considerations which must be kept in mind, showed some inclination to limit action to demanding the return of one car for every car going in. He pointed out that there had been much more leniency shown to Mexico in regard to the car situation than was shown to railroads in the United States, which were required to comply very strictly to the terms of embargo or regulating orders.

We are of course prepared to discuss this matter further with Colonel Johnson and to urge upon him the undesirability of precipitant action. However, I thought you should be informed of the situation, and you may wish to comment thereon or to discuss this serious situation with appropriate Mexican authorities.

Sincerely yours, JOHN WILLARD CARRIGAN

P. S. Since writing the above, we have received the following information, which indicates a few of the many complications involved in this movement of freight cars:

During the period from November 8 to 15 inclusive, the cars sent into Mexico exceeded those returned to the United States by an average of 44 cars daily. During the period from November 16 to 23 inclusive, the average daily loss was 34 cars.

You will recall that the Mexicans had requested 40 grain cars a day and the American Association of Railways was meeting this request, with the result that during the first *quincena* of November there was an average daily pile-up of 196 grain cars at the border while the Mexicans would accept apparently only 18 grain cars a day. Grain loadings were then completely suspended on November 15 with the idea of reducing the backlog of cars at the border. Now only 13 cars a day are being loaded under permit, but the daily average of grain cars left at the border awaiting acceptance by the Mexican railroads is 124. During the first period under reference, the daily pile-up of freight cars of all kinds averaged 348 as compared to 315 since that time. This situation is very disturbing to the Railway Association, but they have agreed to keep loading permits slightly in excess of the receipts, especially as to grain and other foodstuffs, so that it will be entirely clear that any failure of supply in Mexico is due to the deficiencies of the Mexican operation and not to withholding in this country.

I have just read again the last sentence of the above letter and perhaps I have not made it clear that we are prepared to follow this matter through, as the time element requires, and will of course do so.

812.77/11–2944 : Telegram

The Ambassador in Mexico (Messersmith) to the Secretary of State

MEXICO CITY, November 29, 1944—1 p. m.
[Received 7 : 50 p. m.]

1481. For Carrigan. I understand that Colonel Johnson is planning some rather drastic action because the Mexican railways have not met the program of car returns. I am giving this matter very full attention and there are factors which must be taken into account which may not be fully understood by Colonel Johnson. Any such drastic action, which I understand he is planning, would in the opinion of this Embassy be unjustified under the circumstances and would create very unhappy results. Please request holding up any action until I can get full report to the Department, which I am hoping to send by airmail tomorrow or the day after.

MESSERSMITH

812.77/12–144

The Chief of the Inland Traffic Section of the Foreign Economic Administration (Brown) to Mr. William G. MacLean of the Division of Mexican Affairs

WASHINGTON, December 1, 1944.

DEAR MR. MACLEAN: Our conversations during the past few days with particular reference to furnishing empty cars in Mexico for loading strategic materials to USA in continued support of the war effort. We understand that Colonel Johnson has agreed to substitute December 31 for December 1 as the date on which the NdeM will have reduced to approximately 6,000 (unless this figure is revised) the number of foreign owned freight cars in Mexico.

The responsibility is on FEA to procure abroad and obtain delivery of critical materials. Efforts to accomplish this on materials from Mexico have not been wholly satisfactory or successful, owing in large part to lack of adequate freight car supply regularly as needed. This material invariably moves from Mexico in freight cars of American ownership which for the most part move underload into Mexico. The NdeM have always indicated to FEA a willingness to furnish these cars for our strategic materials but at various times have been reluctant, in fact declined to do so owing to pressure from Washington to return American owned cars to this country where they are badly needed. The number of such cars now in Mexico totals about 8,000 whereas at least a good many of the transportation experts feel 6,000 is sufficient; and the NdeM has been requested to reach the latter figure by December 31.

As result of continued requests, particularly by Colonel Johnson on the NdeM to expedite return of American cars from Mexico, the NdeM has by-passed our strategic materials even to the extent of moving cars empty directly from stations where our materials are located. This happened the latter part of October and again the latter part of November in spite of our plea to the NdeM to furnish these cars and in spite of numerous advices from Mr. Arnett that while the AAR was extremely anxious to have cars returned they preferred to have them loaded with strategic materials for this country rather than be returned empty.

As late as November 29 Sr. Belaunzaran, Ass't General Manager In Charge of Operations of the NdeM informed our Mr. Scanlan owing to telegram of November 28 from Colonel Johnson that the NdeM felt that they must return cars empty and could not furnish them for loading of our materials. In this connection you will recall that during our several meetings with ODT–AAR Colonel Johnson repeatedly stated that it was not his purpose to in any way disrupt or interfere with the movement of traffic where, as he put it, a national interest is involved, this being in response to our request that cars be furnished for shipments whether to Mexico or from Mexico to implement our program in the war effort. Apparently the NdeM executives do not fully understand this or at least feel that subsequent advices from Colonel Johnson do not permit them to furnish cars for loading our northbound strategic materials.

For your ready convenience a statement [33] is attached which shows the backlog of strategic metals and minerals (measured in terms of carloads of 50 tons each) from our principal suppliers in Mexico. You will note the total is approximately 1,077 carloads. The traffic manager of the American Metal Company was here again this week and we jointly conferred with Mr. Arnett regarding the prompt furnishing of cars for loading to USA destinations. The General Traffic Manager of American Smelting & Refining Company was also here two weeks ago and has regularly communicated with us by telephone to obtain adequate car supply for shipping our materials from Mexico to this country. The Fresnillo Company have also conferred with us from time to time in an effort to obtain adequate car supply which is true also of some of our other larger suppliers such as Eagle-Picher and W. R. Grace & Company.

The other part of the statement shows the actual carload shipped during a 6 month period from May through October of this year, delivered by the NdeM to the American railroads at the Texas border crossings. During that time our strategic materials totalled 9,351

[33] Not printed.

cars which amounted to 67.9% of all carload traffic delivered by the NdeM to the American railroads at the Texas border. In addition to our strategic materials there is a substantial movement of other commodities necessary to our domestic economy including for example coffee and live stock and other articles of foodstuffs.

This statement demonstrates more than words the necessity of adequate car supply in Mexico if we expect to obtain the strategic materials required.

Regardless of what decision is finally reached as to the maximum number of American cars to be used in Mexico, we think it highly important that the NdeM be assured or reassured that it will be satisfactory and that they are urged to furnish cars for loading our northbound critical materials in lieu of sending the cars empty across the border. Any arrangements you can make in this respect will be of inestimable value not only as concerns insuring an adequate supply of raw materials for industry producing war materials in this country, but also to our suppliers in Mexico to lessen their burden and anxiety in respect of obtaining adequate car supply.

Very truly yours, R. L. BROWN

812.77/12–2344

The Ambassador in Mexico (Messersmith) to the Secretary of State

No. 22,087 MÉXICO, D. F., December 23, 1944.
[Received December 28.]

SIR: Reference is made to my despatch No. 21,955 of December 13, 1944,[34] in further connection with the proposal made in my note of September 21, 1944,[35] a copy of which was transmitted to the Department with my despatch No. 20,288 of the same date, that as of December 31, 1944, no further commitments would be made by the Government of the United States for physical rehabilitation of the Mexican National Railways and that, as of January 1, 1945, we would confine ourselves to the collaboration of the U.S. Railway Mission in the technical field; but that we would, nevertheless, meet any commitments which we had undertaken for physical rehabilitation before December 31, 1944, if they were not completed during the present calendar year.

I now have the honor to transmit herewith a copy and translation of a note from the Mexican Foreign Minister, dated December 13, 1944,[36] acknowledging mine of September 21, and accepting the terms

[34] Not printed.
[35] Note No. 3088; see footnote 32, p. 1269.
[36] Note No. 563247; for translation, see *U.S. Railway Mission in Mexico, 1942–1946*, p. 92.

thereof as to the cessation of financial responsibility for the rehabilitation of the National Railways of Mexico.

It will be observed that the Foreign Minister states that according to the management of the National Railways, there are presently pending commitments by us for $100,000 for the establishment of a signal system on the Mexico-Queretaro Division and for $500,000 for the reconstruction of the Southeast Division (please see my despatch No. 21,538 of November 21,[37] in which I brought to the attention of the Department of State the desire of the Mexican Government that we cooperate with the Mexican National Railways in this amount for the work on the Sureste,[38] principally bridge reconstruction.

Respectfully yours, GEORGE S. MESSERSMITH

812.77/1–545

The Director of the Office of Defense Transportation (Johnson) to the Chairman of the Car Service Division of the Association of American Railroads (Kendall)[39]

WASHINGTON, December 27, 1944.

DEAR MR. KENDALL: As of today the records show that there are on the National of Mexico Lines about 6,400 United States and Canadian railroad-owned cars. To this number must be added about 1,100 tankers and refrigerators.

You will recollect, of course, that at a conference held here on August 21 in discussing the exchange of cars between the United States and Mexico, it was agreed that Mexico should reduce her holdings of United States cars of all types to 6,000 cars as of December 1, 1944. That date was postponed until January 1, 1945, because of our approaching holiday season, when our car supply would be to some extent relaxed. That date is now rapidly approaching.

It becomes necessary then—and fully in accordance with our conversations and correspondence with the Mexican authorities—that controls be applied. This letter is to instruct you to apply the controls, hereinafter more fully described, on January 1, 1945.

There is being issued Amendment No. 2 to Service Order No. 107. The Amendments are:

That there be substituted a 30-day accounting period instead of a 15-day accounting period. The calendar months may be used rather than a 30-day period.

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[37] Not printed.

[38] The Sureste Railway, the connection with Guatemala and the south, had been severely damaged by heavy rains and floods.

[39] Copies to Messrs. Carrigan, Campos, and Ortiz. This letter was quoted for the information of the Embassy in Mexico in instruction 6827, January 5, 1945, not printed.

This order as amended relates only to railroad-owned cars and does not include privately-owned cars, that is, tank cars and refrigerator cars. You will furnish refrigerator cars and tank cars in accordance with instructions that will from time to time be given you from the Interstate Commerce Commission and the Office of Defense Transportation, and the same is true with respect to the movement of stock cars which are subject to United States laws requiring disinfecting.

It is estimated that there are as of today 7,500 United States and Canadian cars of all types on the National Lines in Mexico, of which about 6,400 are railroad-owned cars, the other 1,100 being tank and refrigerator cars. Having made this segregation, the number of United States and Canadian railroad-owned cars permissible in Mexico will become 5,000 instead of 6,000 cars. The instructions, therefore, by the Director of the Bureau of Service [40] as provided for in the order are that for the present there will be allowed into Mexico during any 30-day period 80 percent of the cars delivered out of Mexico the previous 30-day period. For example, if during the month of December, 1944, 1,000 railroad-owned cars were received from Mexico, during the month of January, 1945, 800 cars may be delivered to Mexico. Further instructions are that this 80 percent may be increased 5 percent at the end of any 30-day period if during such period the railroad-owned cars in Mexico have been reduced 500 cars, and this will continue until the number of such cars in Mexico is reduced to 5,000. The interchange then, subject to further consideration, will be on a basis of 100 percent.

You will, of course, take into consideration the number of cars at the border and will avoid congestion there. The provisions of this order, of course, cover 30-day periods. Practical railroad operations might vary the deliveries to a greater or lesser amount from day to day, but the over-all average deliveries and receipts for 30 days will govern and be observed.

It is my understanding that there are some railroad-owned cars held under lease within Mexico by private industry. It is understood that these cars are excluded from the provisions of this order.

You will bear in mind that the National of Mexico some time ago requested that not more than 100 cars per day be delivered to that line, and this request has not been changed.

There has been a tendency in the past when the National Railways of Mexico was making special efforts to return cars to the United States to return them empty rather than loaded, even when loading was available for the cars in Mexico. That seems entirely impracticable, and, if a recurrence of this is observed, please bring the matter to my attention.

Very cordially yours, J. M. JOHNSON

[40] Homer C. King.

PROPOSAL FOR SUBSIDIZING A MERGER OF TELECOMMUNICATIONS CORPORATIONS IN MEXICO TO ELIMINATE THE POSSIBILITY OF NON-HEMISPHERE CONTROL

812.75/8–2244

Mr. Frank C. Page, Vice President of the International Telephone and Telegraph Corporation, to the Secretary of State

NEW YORK, August 22, 1944.
[Received August 23.]

DEAR MR. SECRETARY: There are two major competing telephone systems in Mexico, namely, Mexikanska Telephonaktiebolaget Ericsson (controlled by Teleric, Incorporated, a subsidiary of L. M. Ericsson of Stockholm, Sweden), and Mexican Telephone and Telegraph Company (controlled by International Telephone and Telegraph Corporation). The Ericsson operating company serves some 114,000 subscribers in Mexico and the International Telephone and Telegraph Corporation operating subsidiary, approximately 80,000; including an extensive toll system within the Republic, operated by each company.

Ever since 1932 negotiations have been carried on between L. M. Ericsson and International Telephone and Telegraph Corporation to attempt to bring about some form of merger or consolidation of the two properties in order to eliminate the uneconomic and wasteful competitive situation and to give Mexico the unified system which it has demanded and to which it is entitled.

In 1939, the Department of State became interested and suggested that International Telephone and Telegraph Corporation work out some method of obtaining control of the Swedish company. Various plans were discussed to accomplish this objective. In 1942, we were advised that the U. S. Commercial Company [41] with the approval of the State Department had made various studies with respect of possible ways and means of eliminating the European interests in communication companies in the Western Hemisphere, and they considered it advisable to eliminate entirely the Swedish interests in communications in Mexico.

In cooperation with the U. S. Commercial Company a plan was evolved whereby the International Telephone and Telegraph Corporation would acquire the necessary financial support from the United States government to eliminate all the Swedish interests in telephone communications in Mexico. The plan was never consummated because, according to our understanding, of the objections of certain branches of our government.

[41] An instrumentality of the United States Government.

Recently, L. M. Ericsson has made International Telephone and Telegraph Corporation a fair and reasonable proposal to acquire its interests in the Mexican Telephone and Telegraph Company. While International Telephone and Telegraph Corporation is reluctant to divest itself of control to any European interest of any of its communication systems in the Western Hemisphere, it cannot continue operating a competitive property with the continuing operating losses which have aggregated a net amount of more than $1,400,000 during the last ten years together with the obligation for a substantial amount of new capital which will be required to be invested in Mexico without prospect of any return for years to come. Therefore, it is felt that this offer should be accepted.

As you know, the International Telephone and Telegraph Corporation has always placed its organization at the disposal of the Department of State to act wherever and whenever possible as an instrumentality to assist in carrying out the policies of our government. However, since certain departments of the government were not willing to have the government aid us in the purchase of the Swedish interests in telephone communications in Mexico, we see no alternative for the International Telephone and Telegraph Corporation but to sell out its interests to L. M. Ericsson.

We most respectfully request that you advise us as to whether or not this transaction would be contrary to the policy of the United States government.

Respectfully yours, FRANK C. PAGE

812.75/9–444

The Attorney General (Biddle) to the Assistant Secretary of State (Berle)

WASHINGTON, September 4, 1944.

MY DEAR ADOLF: I refer to your letters dated July 29, 1944 and August 31, 1944,[42] which ask for my views on the proposal for the consolidation of the two telephone companies now operating in Mexico.

This matter first came to our attention in the form of a proposal that this government lend International Telephone and Telegraph Company 19 million dollars to enable it to buy out the interests of the Swedish Ericsson Company in Mexico and merge the Mexican properties of that company with those of I. T. & T.'s own subsidiary in Mexico, the Mexican Telephone Company. As you say in your letter,[43] we objected to the plan on the ground that we believed that

[42] Neither printed.
[43] The letter of July 29.

I. T. & T. was unsuitable as an instrument of national policy. We also pointed out that there were other American companies that might be suitable instruments of national policy in Mexico but that so far as we knew, no attempt had been made to interest these other companies in the proposal.

As you doubtless know, I. T. & T. owns approximately 30% of the stock of the Swedish Ericsson Company. Information in our possession leads us to believe that this stock interest gives I. T. & T. effective control of the management of the Swedish Ericsson Company. In these circumstances the difference between having the Mexican Telephone properties merged under I. T. & T. and merged under the Ericsson Company does not seem to me to be sufficiently substantial to justify the intervention of this government in favor of one form of merger as against the other.

If this transaction were now to be consummated as a purely private affair, that is to say, if it did not involve the selection of I. T. & T. as an instrument of national policy and the advance of public funds to I. T. & T. to enable it to carry out the project, I am not sure that it would be appropriate for this Department either to object to, or to approve of the proposal. But since the question has been put to me on the other assumption, I think that I must say that I cannot regard governmental participation in the project as being in the public interest. At the same time I realize that it is a question on which reasonable men may differ and that the agencies directly engaged in operations in this field may wish to go on with the project on their own responsibility.

When this matter was under consideration before, Secretary Jones [44] and I discussed the matter with the President. At that time the President objected to the proposal on the ground that he believed it was unwise for this government to promote actively any project whereby a Mexican public utility was to be owned and operated by a foreign corporation. In the light of this fact you may wish to discuss the matter with the President before reaching any decision.

Sincerely yours, FRANCIS BIDDLE

812.75/9–2344

The Ambassador in Mexico (Messersmith) to the Secretary of State

No. 20,322 MÉXICO, D. F., September 23, 1944.
[Received September 28.]

SIR: I have the honor to acknowledge the receipt of the Department's confidential instruction No. 6285 of September 20, 1944,[45]

[44] Jesse H. Jones, Secretary of Commerce.
[45] Not printed.

which has just come to my desk on the eve of my departure for the United States for a month's holiday. The Department requests that before reaching a final decision in this matter, it would appreciate at my earliest convenience my present views with regard to this whole question, particularly in the light of the enclosures [46] to the instruction under reference. Although the circumstances are such that I have only a few hours at my disposal before my departure that it will not be possible for me to consult the files of the Embassy on this matter which are voluminous, I am, prior to my departure, giving the Department in the best form possible my present views on this matter.

The Department will wish to consider this despatch in the light of previous despatches and communications of the Embassy on this matter.

I have noted with interest the enclosures to the Department's instruction. I believe that the I. T. & T., in view of the fact that it has not been able to secure financing for a purchase by the Mexicana, its subsidiary, of the Ericsson Company in Mexico, is prepared to sell to the Ericsson Company. The Department is aware from previous despatches and reports of this Embassy that the Ericsson Company has been gradually developing a superior position in Mexico. According to the letter of the I. T. & T. of August 22, 1944, the Ericsson at present serves approximately 114,000 subscribers and the Mexicana approximately 80,000. For various reasons the Ericsson Company has been forging ahead of the Mexicana in Mexico. Because of the availability of stocks of equipment which the Ericsson had in Buenos Aires and Montevideo from its parent company, it has been in a better position during the war to supply new subscribers. It is said that the management of the Ericsson in Mexico is closer and less expensive than that of the Mexicana. While I am not able to perceive any difference between the quality of the service rendered by the Mexicana and the Ericsson, there seems to be a more or less general idea among the public that the Ericsson service is better than that of the Mexicana. A very important factor is that the relations of the Ericsson with the Mexican Government have been closer than those of the Mexicana and in Government offices where there is only one telephone, it is usually the Ericsson. I think a factor which cannot be ignored in this situation is that among the public and in the Mexican Government the Ericsson has a more favored position than the Mexicana. This latter factor alone seems to me to be one of the reasons why our Government should be interested in seeing that any merger which may be brought about is one in which the Mexicana, the I. T. & T. subsidiary, will not disappear.

[46] Letters of July 29 and August 3, from Mr. Berle to Mr. Biddle, not printed; letter of August 22, from Mr. Page to the Secretary of State, p. 1276; and letter of September 4, from Mr. Biddle to Mr. Berle, *supra*.

At the outset of the war certain agencies of our Government were of the opinion that it was in the interest of public security that our Government should finance the purchase of the Ericsson by the Mexicana on account of the Swedish ownership of the Ericsson. This argument at no time was a very valid one and perhaps the fact that it was not valid did not help the consideration given to the matter of Government financing on our part for the Mexicana. The Ericsson Company in Mexico during the war has not been a menace in spite of the situation of Sweden in Europe in view of the fact that the Mexican Government is a co-belligerent with us and the Mexican Government, therefore, was in a position to assure any measures which were necessary to prevent any improper use so far as the public safety is concerned of the Ericsson system. On the other hand, if Mexico had not been in the war as an Ally, but a neutral and a rather unfriendly neutral as during the previous world war, the Swedish owned Ericsson Company would have been more difficult to control and perhaps less controlled by the Mexican authorities and could have become an uncertain element in the communications system in this important country of this hemisphere.

For this reason I feel that the statement of the Attorney General in his letter to Assistant Secretary Berle of September 4, as follows "In these circumstances the difference between having the Mexican telephone properties merged under the I. T. & T. and merged under the Ericsson Company does not seem to me to be sufficiently substantial to justify the intervention of this Government in favor of one form of merger as against the other" does not give, I believe, an adequate statement of the position. It seems to me that it would be highly disadvantageous to our Government, looking into the future, to have a merger of the two telephone companies in Mexico which would involve the disappearance of the Mexicana and leave the Ericsson the sole company in the field, either as the sole operating company or the Ericsson in partnership with the Mexican Government. While I believe that the policy of the Mexican Government, which is so definitely one of collaboration with us in this war is likely to continue in the future, there are none of us who is wise enough to look too far into the future, and Mexico because of her contiguity to us is one of the countries on which all sorts of European pressures will be brought in the postwar period and in which certain European nationals or countries will endeavor to secure a favorable position as compared with ourselves. It would seem to me, therefore, that in so important a matter as telephone communications, it is of vital importance to us as a country that any merger which may be made will not involve the elimination of the Mexicana, which is an American owned company.

I go so far as to say that even if both the Mexicana and the Ericsson were to be acquired by the Mexican Government and operated as a

Mexican monopoly, the safety for us would not be as great as if the merger were accomplished in the form of the Mexicana going into partnership with the Mexican Government.

It seems to me that in the consideration of this problem as to what degree of interest our Government has in a merger of the telephone companies in Mexico, or in the telephone situation in Mexico, we must bear in mind what would be a wise long-range policy for our Government in the matter of communications in general. I doubt whether any one who has in mind the peace and security of our country in the future, and the peace and security of this hemisphere, would not agree that it is important that all forms of communication, whether they be by telephone, telegraph, cable, shipping, or airways should be in the control of nationals of this hemisphere and that nationals of the Far East and of Europe should be excluded from the communications field in this hemisphere. The situation which we have in the Argentine today, in the very midst of war, in which British nationals in the Argentine are at least indirectly interested, if not directly, in a Fascist regime which is directly opposed to inter-American solidarity and to the United States [47] should give us reason for thought. Without assuming any extremely nationalistic attitude but merely looking at the problem from the point of view of security and realism, there would seem to be no doubt that all communications systems in this hemisphere should be either in the hands of the nationals of the countries of this hemisphere or in the hands of the Governments of the respective countries, or in joint enterprises in which the nationals of the Governments of the respective countries are associated with the nationals or the Government of our country. This to my mind is the only sound and secure policy for us and for the other American Republics to follow in the ownership of any communications facilities in the other American Republics. The foregoing thought is in line with the thought which the Attorney General in his letter of September 4 states President Roosevelt had in mind in a conversation which Secretary Jones and he had with the President on this telephone matter, during which the President stated that it was unwise in his opinion for our Government to promote actively any project whereby a Mexican public utility was to be owned and operated by a foreign company. What the President had in mind I feel confident was that so far as possible the communications facilities, such as telephones within the respective American countries, should be in the hands of nationals of the particular country or of the Government. In many countries of the American Republics the Governments themselves or the nationals thereof are not in a position unaided to secure the control of communi-

[47] For correspondence regarding the concern of the United States over relations with the Farrell revolutionary regime in Argentina, see pp. 252 ff.

cations facilities and will need our financial and technical and administrative assistance.

There has for some reason been a prejudice against the International Telephone and Telegraph Company in certain agencies of our Government. On what this unfavorable attitude is based, I am not able to say but it would seem to be most likely because the I. T. & T. has international connections. In the very nature of things it is obvious that if our Government is to assume the obligations which it must assume in the international picture for our future security and peace, that we are definitely in this communications picture not only in the Americas but all over the world. I do not believe that any one would dispute this in the field of aviation. The same principles apply in the field of shipping and telephone and cable communication. In order to carry through the international procedures which are necessary in the communications field in order to maintain our peace and security and to keep communications open to us at all time, and without prejudice to our nationals and to our interests, it is necessary to have instruments in the form of strong companies which will operate beyond our frontiers and in the international field. The maintenance of international communications, no matter in what field, involves the maintenance of companies which are branches of the parent company in the United States. It means the maintenance of all sorts of facilities in order to serve these companies. In the field of telephone communications it means that there must not only be companies for actual operation of telephone systems but in some countries it will be necessary to maintain manufacturing facilities of telephone equipment which are owned by the telephone operating company. Experience has amply demonstrated this. The International Telephone and Telegraph Company, whatever may be its deficiencies in the way of management, has built up a considerable and on the whole, sound organization in the international telephone communications field. It is the only American company in this field. It not only has operating facilities but it has manufacturing facilities for equipment in many countries. It is the ideal instrument through which in the field of telephone communications our Government and our country can carry through a wise and sound policy in the international telephone communications field. If there are any reasons why there may be some reserves with regard to the I. T. & T. which are well founded, then unquestionably it will be a relatively easy matter to bring about such changes in the I. T. & T. and its operation and management which would remove these reserves. That any reason for such reserves with respect to the I. T. & T. exists, I have not been able to determine over my long experience with the operations of this company in various countries.

To summarize, it is therefore my opinion that our peace and security make it necessary for us to take an active part in the international communications field, including telephone communications. I believe that it is particularly important for us as a Government and as a country to see that all forms of communications, including telephone systems in this western hemisphere, are under the control of Governments or nationals of countries of this hemisphere. I believe that to carry through any sound policy in the communications field it is necessary for us to have strong American companies with international connections and that where such companies do not exist we must build them up. In the field of aviation we have several such strong companies which can serve as a national instrument. In the field of telephone communications, we have for the present only one company, which is the I. T. & T., and there does not seem to be any sound reason for not using it as an instrument of policy.

The foregoing briefly are only a few of the considerations but the major ones, which, I believe, make it essential for us to have a definite interest as a Government and a country in this telephone communications field in this hemisphere.

Specifically with respect to the situation in Mexico, the Ericsson Company does not wish to sell if it can avoid it, for it is more interested in the supply situation than it is even in the operating end of it. Sweden is a country which is interested in maintaining its exports and particularly interested in maintaining the exports of telephone equipment and the Ericsson Company is a good outlet for such equipment. Recently the manager of the Ericsson Company in Mexico City at a public dinner stated that a telephone merger would take place in Mexico after the war, leaving clearly the impression that the Ericsson Company would be the controlling interest in the telephone field in Mexico. I believe that this unwisely premature statement of the manager of the Ericsson Company in Mexico reflects a situation which exists and it is probable that the Ericsson has plans of entering into some form of an arrangement with the Mexican Government which will eliminate the Mexicana, the American Company. This is more than likely in view of the fact that the relations between the Ericsson and officials of the Mexican Government are close and friendly. This is a factor which I think we cannot disregard for the manager of the Ericsson Company would not have spoken so openly, if unwisely and prematurely, without having knowledge of the attitude of high officials of the Mexican Government.

The matter, therefore, seems to be coming to a head in spite of our reluctance at home up to now to face this situation. The Mexicana seems to be disposed to sell out to the Ericsson, as indicated by its letter to the Department. The Ericsson apparently has at least some

tacit understanding with high officials of the Mexican Government which has encouraged its manager to make such a public statement.

It is quite clear in my opinion that the I. T. & T. through the Mexicana cannot buy the Ericsson if it is obliged to finance the purchase entirely through private banking channels. I will not go into this phase of this matter but it is well understood at home. Private banking channels are not likely to finance an operation of this kind which would involve anywhere from $16,000,000 to $20,000,000 when it would mean the financing of a public utility in a country in which the tendency is so definitely towards the public ownership of utilities as it is in Mexico. Neither the Ericsson nor the Mexicana are making good earnings in Mexico. The Ericsson, because of perhaps some better management and less overhead, is operating at a slight profit. The Mexicana is operating at practically no profit and perhaps at some loss. All public utilities, including telephones in Mexico, are at a disadvantage when owned by private interests for the tendency is not to give them the reasonable rates which are necessary in order to provide a reasonable profit. I view, therefore, the future of entirely privately owned public utilities in Mexico as very uncertain.

In Mexico the tendency already is very strong for the Government to go into the light and power situation and it is probable that within a period not too long in the future the American and foreign owned electric light and power companies in Mexico will find themselves obliged to sell to the Government in view of the fact that they cannot receive the authority to charge the rates which are necessary to make the moderate profit necessary. This movement, I believe, in Mexico is already so far advanced in the field of light and power that the handwriting on the wall is clear. It is my opinion, therefore, that in the same way it will be the inevitable tendency in Mexico for the Government to absorb communications systems within the country, including the telephone system.

For this reason I have always considered a merger of the two telephone companies in Mexico as not feasible, whether it involves public or private financing from the United States, unless the Mexican Government is a partner in the merger. The I. T. & T. has always hoped to acquire the Ericsson through financing by our Government and thus become the only operating company in Mexico. I do not believe that this will be feasible for I do not believe that the Mexican Government will permit a merger of the two companies either under the Ericsson or the Mexicana in which the Mexican Government is not a partner, either a majority or minority participant. My view, therefore, is that this matter should be approached from the point of view of the Mexicana going into a partnership with the Mexican Government and acquiring the Ericsson. The financing of the new company could be both public and private. The Mexican Government

could have a certain capital participation. The United States Government through the Export Import Bank could have a certain capital participation. Private banking interests could have a certain capital participation or stock participation through American citizens. I believe that this is the only feasible solution because unless the Mexican Government or Mexican private interests have a very large participation in any merged company, there would be no possible hope of the company getting the adequate rates in order to earn the reasonable money it should and without that there can be no public or private interest in the financing of a merger and therefore no merger.

The only possible hope for public utilities, including telephones in Mexico, to have a firm future is for the Mexican Government to participate therein for it is the only way in which reasonable rates can be assured. The existing foreign owned public utilities in Mexico are having a precarious existence because they are met by constantly increasing operating and labor costs with very little opportunity of getting increased rates. On the other hand, in the Government owned and controlled petroleum monopoly, Pemex, which at present has the monopoly of exploration, production and marketing within the country, higher production and distribution costs and higher labor costs are absorbed by increased prices. Just recently the Government has approved a wage increase for the employees of Pemex in the amount of 24,000,000 pesos a year and has accompanied it by an increase in the price of gasoline and fuel to the Mexican public. The telephone, electric light and power companies, etc. in Mexico, which are privately owned, are met by these constantly increasing operating costs, including labor whenever a labor contract expires, but with practically no opportunity of getting increased rates or such increases as are utterly inadequate. The consequent result is that these privately owned utilities are dying a slow and painful but nevertheless sure death.

This Embassy has given a great deal of consideration to this matter of a telephone merger. Its views and conclusions are expressed in despatches and informal letters to the Department. When Mr. Warren Lee Pierson, President of the Export Import Bank, was in Mexico last year we had a conversation with the President of Mexico [48], who indicated that he would be prepared to consider proposals with respect to a merger in which the I. T. & T. would participate through the Mexicana. The President was informed that we would endeavor to submit to him proposals. In view of the attitude of the Department of Justice and perhaps of other agencies of the Government, no such proposals have been made. It is for this reason, I think, that the Mexican Government has perhaps, at least through some of its officials, been discussing this matter with the Ericsson interests. This latter

[48] Manuel Avila Camacho.

would be indicated by the public statement made by the manager of the Ericsson Company, already referred to in this despatch.

The idea of entering into an association with the Mexican Government to bring about a merger and the absorption of the Ericsson will probably not appeal to the I. T. & T., which would prefer to remain the sole interest in the field. In my opinion, however, the Mexican Government will not permit any merger which will involve the I. T. & T. being the sole operating company without participation by the Mexican Government and Mexican interests. There is a good deal of capital available in Mexico, both public and private. I believe that if a merger is worked out between the I. T. & T. and the Government of Mexico, an adequately firm basis for sound operation can be established to assure a reasonable profit from the operation. This would serve as adequate basis on which the Export Import Bank or private capital in the United States could participate in the merger. It is my considered opinion that any merger which does not involve the participation of the Mexican Government would not provide any secure basis for participation either by public or private capital in such a merger of the telephone companies in Mexico. With the participation, however, of the Mexican Government or of Mexican capital in the merger, it is reasonable to believe that the operating company would be able to secure at least a reasonable profit on its investment through the form of rates.

The time at my disposal prior to my departure does not permit me to go into this matter more fully but I dissent from the opinion which has been expressed from time to time that our Government does not have an interest in this merger. I believe we have an interest from the point of view of hemisphere security in the sense that the communications systems in this hemisphere should remain in the hands of the Governments or nationals of the countries concerned either solely or in collaboration with Government and private capital in the United States. I believe adequate basis exists for the interest of our Government in this matter, even to the degree of part of the financing, provided the merger involves the participation of adequate Mexican Government or Mexican private interest to assure the security of the enterprise from a commercial point of view.

It is, therefore, my recommendation that our Government should reach the conclusion in principle that we have an interest in this matter of the telephone merger in Mexico and that we formulate on that basis proposals which can be made to the Mexican Government through which the I. T. & T. would enter into some arrangement with the Mexican Government as an owning and operating company. The financing of such an owning and operating company would undoubtedly involve at least a measure of financing through the Export Import Bank. I believe the circumstances would justify this. In spite of

the more favorable attitude towards the Ericsson Company in Mexico by Government officials, I believe that the Mexican Government is very definitely attached to the idea of hemisphere security and would prefer to enter into such a merger with an American company than with a Swedish company. I see no reason why the I. T. & T. should not become the instrument of our national policy in the telephone communications field in this hemisphere.

I should have liked to go into this matter more fully but I hope that the foregoing will be sufficient for the Department's purposes. I shall be glad to make any further specific recommendations or observations which the Department may desire. I do believe that we should not lose further time in making this major decision for if we lose further time, it is probable that either the I. T. & T. will sell out to the Ericsson or the Ericsson will enter into some arrangement with the Mexican Government which will involve the elimination of the I. T. & T. subsidiary.

I believe that the proposals which I have made in this despatch would fall in line with the views expressed by the President to Secretary Jones and to Attorney General Biddle for my proposals would not involve any foreign company assuming control of the communications system in Mexico by an arrangement between the Mexican Government and an adequately competent American Company.

Respectfully yours, G. S. MESSERSMITH

812.75/12–1844

Memorandum of Conversation, by the Chief of the Telecommunications Division (De Wolf)

[WASHINGTON,] December 18, 1944.

Participants: Mr. Grew [49]
Ambassador Messersmith [50]
Mr. Norman Armour (ARA) [51]
Mr. Joseph McGurk (ARA) [52]
Mr. John Carrigan (MA) [53]
Mr. Francis Colt de Wolf (TD)

A meeting took place in Mr. Grew's office to consider the question of the consolidation of the two telephone companies in Mexico, i.e., the company owned by the Swedish firm of Ericsson and the company owned by the International Telephone and Telegraph Corporation. The Department has gone on record as favoring the consoli-

[49] Joseph C. Grew, Under Secretary of State.
[50] Ambassador George S. Messersmith arrived in Washington for consultation on December 16.
[51] Director of the Office of American Republic Affairs.
[52] Acting Deputy Director of the Office of American Republic Affairs.
[53] Chief of the Division of Mexican Affairs.

dation of these two telephone companies under the management of the International Telephone and Telegraph Corporation. The Secretary of Commerce has indicated his willingness to help the IT&T to finance the purchase of the Swedish company. A memorandum has been prepared for presentation to the President, advocating the proposed plan.[54] However, Mr. Jones and the Department do not feel that they can go ahead with this plan until they have overcome the objection of the Attorney General, which he has set forth at various times, as well as in recent correspondence with Mr. Berle. Mr. Biddle's objection is due to the international character of the IT&T and his feelings that it has dealt with enemy interests during the present war. In the opinion of the Department, it would be most unfortunate to have a consolidation of the two telephone companies in Mexico under the aegis of a Swedish company, especially when it is recalled that the Department, the CIAA [55] and the U. S. Commercial Company have for the last two years been laboring incessantly to remove the Ericsson Company from the telecommunication field in Latin America. There would not appear to be any other American company which has the "know how" that the IT&T has to manage a telephone company abroad.

It was agreed that Mr. Grew and Mr. Messersmith should make an engagement to see Mr. Biddle and to present the foregoing views to the Attorney General and to endeavor to obtain his approval to the draft memorandum which is to be presented to the President. Mr. Messersmith was assured that the Department wholeheartedly agrees with his position in this case.

FRANCIS COLT DE WOLF

812.75/12–3044

Memorandum by the Secretary of State to President Roosevelt

[WASHINGTON,] December 30, 1944.

The L. M. Ericsson Company of Sweden which owns and operates one of the two telephone systems in Mexico, has made a firm offer to purchase the International Telephone and Telegraph Corporation's interests in the Mexican Telephone Company with a view to consolidating the two telephone systems, presumably under Swedish management.

From time to time various proposals have been considered within this Government whereby the Swedish telephone system in Mexico would be purchased by the I T & T and merged and operated as a unified system by that company. These proposals have not materialized, partly because of certain objections of the Attorney General. It

[54] *Infra.*

[55] Office of the Coordinator of Inter-American Affairs.

is my understanding that you would favor Mexican participation in any consolidation of the telephone systems in Mexico in which American interests were involved.

Ambassador Messersmith has made the following recommendations in which the Department of State concurs.

The interests of the United States and of the Western Hemisphere would be afforded greater security and would be better served if such a vital means of communication as the telephone system in Mexico were entrusted to Western Hemisphere interests. Accordingly, it is recommended that overtures be made to the Mexican Government under which an American company, possibly the I T & T, would enter into arrangements approved by the United States Government, with the Mexican Government for the consolidation and the operation of the telephone facilities in Mexico under one company. Such a merger may require at least a measure of financing through the Export-Import Bank.

In Ambassador Messersmith's opinion the Mexican Government is definitely attached to the idea of hemisphere security and would prefer to enter into such a merger with an American company rather than a Swedish concern.

The matter was recently discussed by Under Secretary Grew and Ambassador Messersmith with the Attorney General who advised them that in the light of the information which they furnished him, he would not be inclined to interpose any objection to a loan to the I T & T by this Government for the purpose of buying the Ericsson Telephone Company in Mexico. A copy of Mr. Biddle's letter of December 19, 1944, is attached.[56]

I believe that in the national interest of the United States and the interest of the security of the Western Hemisphere the plan suggested by Ambassador Messersmith should be placed before the Mexican Government. I would appreciate an indication of your approval.[57]

E. R. Stettinius, Jr.

[In a letter to Secretary of Commerce Jesse Jones dated January 8, 1945, the Secretary of State suggested that Mr. Jones discuss with officers of the International Telephone and Telegraph Corporation the next steps to be taken, including a United States loan to the I. T. & T. for the purchase of the Ericsson Telephone Company, negotiations with this Swedish concern, and submission of the details of the proposal to the Mexican Government through the American Embassy in Mexico (812.75/12–1944). When Ambassador Messer-

[56] Not printed; in this letter, dictated in the presence of Messrs. Grew and Messersmith, Mr. Biddle withdrew his objections to the proposed merger and loan (812.75/12–1944).

[57] Memorandum returned by President Roosevelt with the following notation: "ERS Jr, OK, FDR."

smith inquired in a letter of March 13, 1945, concerning the progress of such negotiations, he was informed in Department's letter of March 29, 1945, that the Treasury Department seemed to have misgivings about the whole proposal, and the officers of the Export-Import Bank, though in principle agreed to the plan, were being delayed in action by the impending replacement of the Bank's president, Warren Lee Pierson (812.75/3–1345). Later memoranda in the State Department files indicate that by September 1945, despite further urging of the proposal by Ambassador Messersmith, the Department of Commerce and the Export-Import Bank had decided not to extend loans to the Mexican Government for purchase of the two companies, and by March 1946 the International Telephone and Telegraph Corporation had been released by the State Department from a proscription against the sale of its Mexican subsidiary. (812.75/8–2745, 3–146)]

ARRANGEMENTS BY THE UNITED STATES AND MEXICO REGARDING THE TEMPORARY MIGRATION OF AGRICULTURAL AND OTHER WORKERS INTO THE UNITED STATES [58]

811.504 Mexico/300

The Chairman of the War Manpower Commission (McNutt) to the Secretary of State [59]

WASHINGTON [undated].

MY DEAR MR. SECRETARY: As you know, the War Manpower Commission, under an agreement between our Government and the Government of Mexico,[60] has been importing Mexican Nationals for employment in the railroad industry. Although this program has never met the labor needs of the industry, it has, during the nine months of operation, made a substantial contribution to the effective prosecution of the war despite the limitation imposed by the Mexican Government, which established a ceiling of 20,000 as the number of its Nationals who may be engaged in railroad employment at any one time.

Railroads who have learned of this importation program have currently on file with the War Manpower Commission requests which total 32,810 workers over and above the number of workers who can be recruited from domestic labor reservoirs and over and above the number of Mexican Nationals currently in railroad employment. It

[58] Continued from *Foreign Relations*, 1943, vol. VI, pp. 531–585.

[59] A copy of this letter was handed by Mr. McNutt to Mr. George S. Messersmith, Ambassador to Mexico, January 27, 1944. Mr. Messersmith was temporarily in the Department for consultation.

[60] For text of agreement signed at Mexico City April 29, 1943, see Department of State Executive Agreement Series No. 376, or 57 Stat. (pt. 2) 1353. For correspondence concerning this agreement, see *Foreign Relations*, 1943, vol. VI, pp. 538–550 *passim*.

is believed that if all railroads were solicited, this number would be considerably higher. As reported to the Railroad Retirement Board, as of December 1, 1943, the railroads indicated labor needs of 97,551 workers, exclusive of the Mexican Nationals in their employ, of whom 77,794 are required for maintenance of equipment and stores and maintenance of way and structures.

Since it will be impossible to meet these labor needs from any available domestic sources, despite the recent wage increases granted in industry, the War Manpower Commission requests the State Department to negotiate with appropriate representatives of the Government of Mexico for an increase of the present ceiling of 20,000 workers to 40,000 workers.

The War Manpower Commission and the railroad industry is deeply appreciative of the contributions made to our common war effort by the Government of Mexico in permitting its Nationals to come to the United States to engage in such vital work. If the Mexican Government accedes to the request for additional workers, the War Manpower Commission assures that it will continue its efforts to provide for the well-being of these workers in accordance with the agreement between the United States and the Government of Mexico. These additional workers which we are requesting will provide manpower which is so necessary if the tracks and equipment of the railroads are to be maintained in order that matériel and personnel may be transported speedily and safely according to the exigencies of war.

Sincerely yours, PAUL V. MCNUTT

811.504 Mexico/322

Memorandum of Conversation, by the Chief of the Division of Mexican Affairs (McGurk)

[Extract]

[WASHINGTON,] January 27, 1944.

Participants: The Under Secretary [61]
Ambassador Messersmith
Governor McNutt, War Manpower Commission
Mr. Joseph Eastman, Office of Defense Transportation [62]
Mr. A. W. Motley, War Manpower Commission [63]
Mr. Frank Squire, Railroad Retirement Board
Mr. J. F. McGurk, MA

Governor McNutt opened the conversation by stating that the War Manpower Commission is very anxious to raise the number of railroad

[61] Edward R. Stettinius, Jr.
[62] Mr. Eastman was Director of ODT.
[63] Mr. Motley was Acting Director of the Bureau of Placement, WMC.

workers permitted by Mexico to enter the United States, from 20,000 to 40,000 and he asked if Ambassador Messersmith would make an approach to the Mexican Government to obtain the increase. The Ambassador stated that there was considerable political influence in Mexico controlling the migration of railroad workers to this country and he felt that in view of the difficulties involved he would have to take the matter up directly himself with President Avila Camacho and Foreign Minister Padilla. He said he would be willing to do this immediately upon his return to Mexico about February 11 and and we would hear from him within a short time thereafter, perhaps by February 15. Ambassador Messersmith then stressed some considerations in this country [64] which he felt were having some adverse effect on our obtaining an increase not only in the railroad workers but also in connection with the selection of agricultural workers. He particularly mentioned pending legislation before the Congress which might possibly take out of the hands of federal agencies the management of Mexican workers while in the United States and place it in the hands of State Agencies. The Ambassador said that the Mexican Government, under our agreements covering the migration of Mexican workers, insisted upon dealing with federal agencies and that any attempt to place the administration of the Mexican workers in this country under state agencies would seriously affect our agreements.[65]

Ambassador Messersmith then brought up the question of the desire of the Railroad Retirement Board to set up an office in Mexico to administer retirement payments accruing to Mexican railroad workers entering the United States. The Ambassador pointed out that the Mexican Government had no idea that the Mexican workers were to receive benefits under the Railroad Retirement Acts. He thought it would be quite impossible to defend such action should the Railroad Retirement Board insist upon carrying out its intentions. The Under Secretary and Governor McNutt pointed out that such action was mandatory under the law but effort would be made to find a solution perhaps by turning over funds due the Mexican workers to the Social Security Agency of the Mexican Government. It was agreed that Mr. Squire would present a memorandum on the subject to the Under Secretary and that the opinion of the Attorney General would

[64] i.e., the United States.

[65] The agreement of April 29, 1943, regarding the temporary migration of Mexican non-agricultural workers and two previous agreements respecting the temporary migration of Mexican agricultural workers. For texts of the latter two agreements effected by exchange of notes signed at Mexico City August 4. 1942, and April 26, 1943, see Department of State Executive Agreement Series Nos. 278 and 351, or 56 Stat. (pt. 2) 1759 and 57 Stat. (pt. 2) 1152, respectively.

be sought with respect to the operation of retirement accruals for Mexican workers under the Retirement Acts.

. . . . . .

J. F. McGURK

811.504 Mexico/323

Mr. Frank C. Squire of the Railroad Retirement Board to the Secretary of State [66]

CHICAGO, February 4, 1944.

DEAR SIR: At the meeting in your office the morning of January 27, 1944, concerning permission to import 20,000 more Mexicans for railroad work, you requested me to write you after I had consulted the other two members of the Railroad Retirement Board [67] and obtained certain information.

There are two Acts administered by this Board, the Railroad Retirement Act under which old-age annuities are paid, and the Railroad Unemployment Insurance Act under which unemployment-insurance benefits are paid.

1. For support of the Retirement Act, 3¼ per cent is deducted from each Mexican worker's pay check. If the average Mexican worker is employed at current wages for nine months, about $30 would be withheld from the pay. If such a worker should die before reaching the age of sixty-five years, his family would be entitled to about $35. Ten of these death payments have already been made. If such a worker lives to age sixty-five, he will then be entitled to a benefit having a commuted value of $300. It is obvious that the payment of very small benefits to non-English-speaking nationals of a foreign country over a period of many years will involve administrative difficulties out of all proportion to the benefits. The Government of Mexico has its own system of social insurance; there are many European precedents for arrangements under which nationals working outside their own country may receive social insurance credits therein. Such an arrangement in the present case might be appropriate.

This is not, perhaps, an opportune time to pursue the suggestion. But the Board will be glad, at such time as the State Department thinks appropriate, to work out a method of transferring the Board's obligations to Mexican nationals under the Railroad Retirement Act to an appropriate body in Mexico, presumably the Social Insurance Institute. Should the Department and the Mexican Government look

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[66] A copy of this letter was transmitted to Ambassador Messersmith by Mr. McGurk in a letter dated February 14 (811.504 Mexico/323). The Ambassador in his reply of February 23 expressed approval of the Board's conclusions and its plan for future action; he said that for the present he would take no action on this matter (811.504 Mexico/338).

[67] Murray W. Latimore, Chairman, and Lee M. Eddy.

with favor on such an arrangement, its effectuation would require Congressional action, at least in the United States.

2. No deduction is made from the worker's pay check for unemployment insurance purposes. The tax creating this fund is paid entirely by the railroads. The administration of unemployment insurance requires the maintenance of a complex system of State-operated machinery for finding and offering jobs and for the application of various tests of the genuineness of unemployment. No such machinery now exists in Mexico; and it cannot be created by any agency outside the republic of Mexico itself. Under these circumstances, it would be unwise and inappropriate for an agency of the Government of the United States of America to attempt to pay unemployment-insurance benefits to persons residing in Mexico.

3. We do not expect to need a permanent office in Mexico after the recruitment of railroad workers is completed.

The Chairman and Board Member Eddy join with me in these observations.

Very truly yours, F. C. SQUIRE

811.504 Mexico/313

The Ambassador in Mexico (Messersmith) to the Secretary of State

[Extracts]

No. 15,949 MÉXICO, D. F., February 17, 1944.
[Received February 21.]

SIR: . . .

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Immediately upon my return to Mexico City,[68] it was possible through assurances received from the War Manpower Commission, to renew the recruiting of agricultural workers, which is now under way again, and the first trainload under the program of this year, will leave this week.

. . . . . .

In spite of the fact that I had not received any information as to the lifting of the embargo[69] when I saw the President on the afternoon of February 15, I took up the matter of the need of 20,000 additional workers for the railways with him. I explained to him that he had originally authorized the recruitment of 5,000 workers under the agreement for non-agricultural workers. At our request he and the Mexican Government had increased this authorization so that we could have up to 20,000 of such workers in the United States at one time. I emphasized the importance of the service which these 20,000

[68] The Ambassador arrived in Mexico City in the late afternoon of February 10.
[69] Embargo imposed by the United States on its railroad cars entering Mexico. For correspondence on this subject, see pp. 1234 ff.

men were rendering on our railways. I then went on to say that we had had a considerable increase in accidents on our railways which were primarily due to the fact, it was believed, that there was lack of adequate repair of the tracks. This was brought about by lack of manpower because men were drawn into the army and the war effort. I said that the need for additional railway workers was imperative in the United States and that the best and most natural source was Mexico. I asked him to consider sending another "division to the front."

I had informed the President in the same conversation, of the steps which the Embassy was taking which I was sure the Department of State would support, to bring about a lifting of the embargo on railway cars, which embargo the President had brought to my attention on my return as being so disastrous for the Mexican Economy.

The President said that he recognized the importance of these railway workers to us, and that in spite of the difficulties he had met here, he wished to continue this program and was prepared to grant this further amplification thereof as a measure of collaboration with us. He informed me that he would immediately give the necessary authorization to the various agencies of the Mexican Government and that we could proceed with the recruiting of 20,000 additional workers for the railways under the non-agricultural agreement. The action of the President of Mexico in this respect is characteristic of his understanding and his very real spirit of collaboration. I wish again to emphasize that this action is not an easy one for him to take for there are many elements in Mexico which are of the opinion that this labor is needed in Mexico and that the draining off of this labor to the United States is affecting various situations in at least a number of states in Mexico.

A formal note [70] has been addressed to the Foreign Office requesting the authorization for the recruiting of 20,000 additional railway workers and I discussed this matter with the Minister of Foreign Affairs last evening and he states that the appropriate authorization has been received from the President and that we may begin recruiting up to that additional number immediately.

During the course of the conversation with the President on this matter on February 15, the President stated that he thought it would be a very good thing if some thousand or more of these additional 20,000 workers authorized for the railways would come from the shops and various divisions of the National Railway Lines in Mexico in order that they might gain experience and morale through service in our railway shops and other railway work than track work, while in the United States. I said that I did not consider the idea impracticable, but that it presented difficulties from here and at home. The

[70] Not found in Department files.

President said that surely there was need in the railway shops at home, as well as on the track, for workers, and that it was his desire to improve the morale and capacities of the railway workers in Mexico and he saw a possibility for this arrangement being used to that end. I told the President that I would be very glad to discuss this further with him, together with Mr. Stevens, of the United States Railway Mission,[71] but that I understood that this did not in any way interfere with the recruiting of the workers under the increase which he had just authorized, and he said that this was so. The President said that he would naturally have to discuss the matter also with the railway syndicate, which might be disposed to make some opposition to sending any Mexican railway workers now with the National Lines temporarily to the United States.

. . . . . .

Respectfully yours, G. S. MESSERSMITH

811.504 Mexico/364

Memorandum of Conversation, by Mr. William G. MacLean of the Division of Mexican Affairs

[WASHINGTON,] February 25, 1944.

Participants: Mr. Gurley, Santa Fe Railroad
Mr. Woods, Santa Fe Railroad
Mr. Blair, Santa Fe Railroad
Mr. Durbrow, Southern Pacific
Mr. Muckley, Southern Pacific
Mr. Buford, Association of American Railroads [72]
Mr. Wilson, Western Association of Railway Executivés
Mr. Padilla Nervo [73]
Mr. Aguilar [74]
Mr. Clark [75]
Mr. MacLean

Mr. Padilla Nervo having expressed a willingness to present the viewpoint of the Mexican Government to the railroad officials listed above, he was invited to do so through the American members of the

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[71] Oliver Stevens, Chief of the United States Railway Mission to Mexico, established in April 1942. For correspondence concerning this mission, see pp. 1234 ff.
[72] C. H. Buford was vice president of the Association.
[73] Luis Padilla Nervo, Oficial Mayor of the Mexican Ministry of Labor.
[74] Manuel Aguilar, Mexican consular officer assigned to the Consulate General at Los Angeles.
[75] Robert L. Clark, Acting Chief of the Employment Office Service Division of the War Manpower Commission.

commission.[76] In arranging for the meeting the railroad representatives were given to understand that the meeting would not be for the consideration of individual cases but would be strictly limited to an exposition of the viewpoint of the Mexican Government as to the interpretation of the international agreement of April 29, 1943 and to a statement of the reasons why the Mexican Government considered that there had been a violation of that agreement.

Mr. Padilla Nervo stated that his Government had entered into the agreement with the understanding that Mexican workers were to receive the same salaries as those received by domestic workers at the place of employment. He said that the Mexican Government had in mind that the place of employment was the whole United States or any region thereof where Mexican workers were employed. He said that the attention of the Mexican Government had subsequently been invited to the fact that contractors were employed by the railroads and that the contractors paid their employees doing similar work to that done by the Mexican workers some thirty cents an hour more than was paid to the Mexican workers. He said that this was considered to be a clear violation of the international contract. He stated that the policy of the Mexican administration in lending workers to the United States was not approved in all circles, but that the Government had nevertheless gone ahead with this project as an effective means by which it could cooperate in the war effort. He said that the Administration, however, had to proceed in such a manner that it would not give grounds for attack to those who were opposed to the program. He said that the carrying out of the terms of the international agreement would, he believed, disarm the critics of the program, and that the Administration, therefore considered it extremely necessary to insist upon an adjustment of the past, to which some publicity had been given in Mexico. In other words, he made it very clear that it was a matter of political expediency for the Mexican Government to come out of these negotiations with a reasonable adjustment of the past. He said that he believed the definition of "place of employment" as reached by the commission would eliminate differences in the future since this Government and the railroads would definitely know, under the definition, the limitations on the use of Mexican workers under collective bargaining wage rates in the railroad industry.

Mr. Gurley thanked Mr. Padilla for his clear and helpful exposition, and said that the definition should be helpful in facing the future but that it presented one or two problems because at several points

[76] A four-man joint commission established in December 1943 to investigate alleged violations of the terms of the agreement of April 29, 1943, regarding non-agricultural workers. The American members were Messrs. Clark and MacLean. For correspondence on the establishment of this commission, see *Foreign Relations*, 1943, vol. VI, pp. 573–574 and 581–585 *passim*.

collective bargaining wage rates changed within a given roadmaster's district. He said that the changes were based on historic differentials which probably no longer had a reason for existing but were nevertheless fixed under our collective bargaining of railway labor rates. Mr. Padilla Nervo made an extensive reply to the suggestion which was evidently in Mr. Gurley's mind that some modification of the definition be accepted. The trend of the reply was that the definition already represented practically a surrender of the Mexican viewpoint in regard to the place of employment. However, he neither closed the door to a modification nor indicated that he would accept such a modification. Mr. Buford, of the Association of American Railroads, made a statement of the difficulties which any wage adjustment would no doubt bring about with domestic workers in the same craft. Mr. Padilla Nervo said that the claims of the Mexican Government were against this Government and not against any particular railroad since the railroads entered into this matter through a contractual relation with the War Manpower Commission and not with the Mexican Government. I said in regard to the same point that this commission was present at the meeting entirely informally, that we had no request to make of the railroads, and that we were present upon invitation merely to present certain facts which would help them understand the problem which had arisen. Referring to a statement made by Mr. Buford regarding the wage-fixing regulations governing the railroad industry, I said that this commission was making no request of the railroads and realized that it had no competence in the field of railroad wage rates.

Mr. Woods then began to hint rather baldly that the Mexican Government should withdraw its claim in exchange for other benefits which he apparently thought he could secure. It became apparent that what he had in mind was to have the commission seek to secure for Mexico allocations of tools and machinery to the amount of the savings funds and back pay adjustment accruing to Mexican railroad and agricultural workers. It was in return for this assistance that the Mexicans were supposed to forget their grievances against the railroads. Mr. Padilla said that the Mexican Government was of course interested in securing tools and machinery and, as is well known, had sought to have the savings funds paid in the form of such shipments, but that those articles had not been available and that payments had consequently been made in cash. He added that any reopening of this

question would be a matter for the two Governments to consider and to take up formally after such consideration. I seconded his remarks.

Mr. Woods was apparently slightly piqued at the reply, and said that he thought it was very foolish for the Mexican Government to prefer $200,000 in a cash settlement to securing assistance in getting allocations of $10,000,000 worth of much needed machinery and tools. It is interesting to note that this is the first time $200,000 has ever been mentioned as a possible basis of settlement, and I noted that Messrs. Padilla and Aguilar exchanged knowing looks when the sum was mentioned.

The meeting then adjourned.

811.504 Mexico/367

The Mexican Ambassador (Castillo Nájera) to the Secretary of State

[Translation]

No. 1168

The Ambassador of Mexico presents his compliments to His Excellency the Secretary of State and, with reference to the *note verbale* of December 22, 1943 [78] (811.504 Mexico/239), which was received in reply to the one sent by the Embassy under no. 9956, dated the 11th of the said month,[78] takes the liberty to repeat the information furnished verbally on the 25th of this month, to the effect that the agricultural workers of Lower California are continuing to cross illegally into the United States, contravening the arrangements concluded between the two countries and doing most serious injury to the agriculture of the said Mexican region.

In view of the foregoing, Francisco Castillo Nájera takes the liberty to request of His Excellency Cordell Hull that he be good enough to take further steps in order that the Immigration and Naturalization Authorities, along the border, may redouble their vigilance to prevent, by all possible means, the entrance into the United States of those Mexican workers who lack the proper documents and who, not having any contract with the War Food Administration or with the War Manpower Commission, have no right to come to work in this country.

WASHINGTON, February 29, 1944.

[78] Not printed.

811.504 Mexico/336

The Ambassador in Mexico (Messersmith) to the Secretary of State

No. 16,193 MÉXICO, D.F., March 1, 1944.
[Received March 4.]

SIR: Reference is made to the Embassy's despatch no. 15,311 of January 13, 1944, transmitting a copy of a note, dated January 12,[79] from the Mexican Foreign Minister with respect to the passage by the House of Representatives of Joint Resolution No. 208 [80] and the possibility that Mexican agricultural workers in the United States might, if the Resolution were approved, be placed under the supervision of organizations in the various States and not be under the War Food Administration. The Ministry indicated that if such were the case, it might be necessary to denounce the existing Agreement whereby such agricultural workers are allowed to be in the United States. It will be recalled that this matter was the subject of numerous telephone conversations and letters between the Embassy and Mr. Joseph McGurk, the Chief of the Division of Mexican Affairs, and that, following one such conversation on February 14, the Embassy was authorized to inform the Foreign Office that, in a letter dated February 11,[81] the Administrator of the War Food Administration [82] had given assurances that the 10,000 Mexican agricultural workers it was desired to recruit for the State of California would be under the direction of the War Food Administration.

On February 12 and 14, in its nos. 2320 and 2325, the Embassy informed the Foreign Office as to the consideration which had been given in the Senate to HJR 208 and inquired as to whether the Mexican Government perceived any objections to the Mexican Agricultural workers being under the jurisdiction of the State Extension Services of the respective States. The Ministry was also advised as to the assurances given by the War Food Administration respecting the labor it was desired to recruit for California.

I now have the honor to transmit herewith a copy and translation of a note, dated February 21, 1944,[83] from the Foreign Minister stating that the Mexican Government objects to Mexican workers being under the jurisdiction of the State Extension Services and desires that all such workers, no matter in what State they may be employed, be under the supervision of the War Food Administration.

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[79] Neither printed.
[80] For the text of this resolution which became Public Law No. 229, approved February 14, 1944, see 58 Stat. 11.
[81] Not printed.
[82] Marvin Jones.
[83] Note No. 3345, not printed.

The Department will recall that the Mexican Government has already given permission for its nationals to proceed to California and recruiting to this end has already started.

Respectfully yours, GEORGE S. MESSERSMITH

811.504 Mexico/364

Memorandum by the Director of the Office of American Republic Affairs (Duggan) to the Under Secretary of State (Stettinius)

[WASHINGTON,] March 6, 1944.

MR. STETTINIUS: The special United States-Mexican commission to define "place of employment" under the agreement,[84] and to seek a settlement of Mexican claims to date thereunder, has reached an understanding (1) on a definition designed to make it possible for the railroads to use Mexican workers without incurring claims, and (2) on the desirability of wiping out all past claims by a lump sum settlement. For several weeks the American members of the commission have felt that agreement could be reached on a maximum sum of $250,000. They have never been authorized to mention more than $150,000, which was turned down, in part because the railroads involved have previously let escape to the Mexican commissioners a willingness to pay up to $200,000.

On Friday the commission was invited to meet with Governor McNutt [85] who made an offer of one million pesos direct to the Mexican commissioners,[86] who stated that they were offended at the manner in which the offer was made. They were pacified by the United States members of the commission, and on condition that Governor McNutt withdraw his offer direct to them, they agreed to continue negotiations.

The commission met Saturday, and the Mexicans again expressed strong objections. They had apparently discussed the matter with Ambassador Castillo Nájera and other members of his staff who, they indicated, shared their attitude.

Under instructions from the War Manpower Commission, our representatives reluctantly pressed the Mexicans to make an offer. They specified $487,000. Our representatives replied that from a practical viewpoint they would be unable to urge that sum upon this Government. They mentioned $250,000 which was turned down as too near the offer made by Governor McNutt which they felt had to be departed from because of the implications surrounding it. They indicated upon inquiry that they would be willing to submit an offer of

[84] The agreement of April 29, 1943.
[85] Paul V. McNutt was Governor of Indiana, 1933–1937.
[86] Padilla Nervo and Manuel Aguilar.

$300,000 to their Government, and it is possible that they may recommend that it be accepted.

The attitude of the Department to date has been that its representative on the commission is in an advisory capacity and that the initiative in this matter belongs to the War Manpower Commission. However, in view of the unfortunate circumstances of the meeting Friday, it now appears to be desirable for the Department to inform Governor McNutt that a delicate situation has arisen, and that it is the opinion of the Department that this question should be settled immediately in the interests of friendly relations with Mexico. The Commission is scheduled to meet late this afternoon.[87]

LAURENCE DUGGAN

811.504 Mexico/359a

The Secretary of State to the Ambassador in Mexico (Messersmith)

No. 5438 WASHINGTON, March 15, 1944.

SIR: Reference is made to the agreements of August 4, 1942 and April 29, 1943 between this Government and the Government of Mexico for the temporary migration of Mexican agricultural and non-agricultural workers to the United States.

The text of the agricultural agreement of August 4, 1942 states: "It is understood that Mexicans contracting to work in the United States shall not be engaged in any military service."

Section I–1 of the non-agricultural agreement of April 29, 1943 states: "Mexican nationals who enter the United States under contract with an appropriate Government department or agency shall not be subject to military service for the United States".

The Department now has under consideration with Selective Service several cases of Mexican workers brought into the United States under these agreements who have been obliged by local boards to register or to enter the armed services. In two cases the individuals possessed dual citizenship. Because of their Mexican parentage and long residence in Mexico the Mexican Government considers them to be Mexican citizens. Because they were born in the United States they enjoy American citizenship, and under Selective Service regulations it is difficult to justify their exemption.

Another type of case under consideration is that of Mexican nationals who formerly resided in the United States, who had registered under Selective Service, and who had left this country either with or without the permission of their local boards. Under Selective

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[87] A marginal note on this March 6 memorandum, initialed by Mr. McGurk, reads as follows: "March 7, '44, Note: The Under Secretary telephoned Gov. McNutt yesterday after discussing the matter with Messrs. Bonsal, McGurk & MacLean. It was agreed that the offer would be for $300,000."

Service regulations such individuals have not ceased to be liable for military service.

The Department is taking appropriate steps to reach a satisfactory solution of pending cases but concurs with an informal suggestion made by an officer of Selective Service that it would be advisable to warn these workers regarding their Selective Service status before they leave Mexico.

You are therefore requested, in your discretion, to discuss this matter with Mr. Harry F. Brown of the War Food Administration and Mr. Samuel B. Hough of the War Manpower Commission, in charge of the selecting and contracting of workers in Mexico City, with a view to having included in the explanations given prospective workers a warning that those workers born in the United States or those who have incurred liability under Selective Service should not accept contracts unless they can prove, in the first case, that they no longer possess dual citizenship, or, in the second instance, that any prior Selective Service registration has been completely cancelled.

Very truly yours, For the Secretary of State:
A. A. BERLE, JR.

811.504 Mexico/361

The Secretary of State to the Ambassador in Mexico (Messersmith)

No. 5468 WASHINGTON, March 21, 1944.

SIR: Reference is made to approximately 2,000 Mexican agricultural workers who entered the United States under Section 5(*g*) of Public Law 45 [88] during the first two weeks in May 1943. The individuals in question were documented for one year, and the Department has been informed that when that period has expired the Immigration and Naturalization Service plans to repatriate them, beginning about May 15.

The Department has been approached on this subject by the Honorable Clinton P. Anderson of New Mexico and the Honorable R. E. Thomason of Texas,[89] who are interested in having these workers continue in their present employment. They have been informed that the Mexican Government has consistently opposed any recruiting of agricultural workers outside of the agreement of August 4, 1942 as revised on April 26, 1943 and that it would therefore be of no avail for the Department to take up with the Mexican Government a request for permission to extend the documentation of these workers

[88] House Joint Resolution No. 96, making an appropriation to assist in providing a supply and distribution of farm labor for the calendar year 1943. For text of this law signed April 29, 1943, see 57 Stat. 70.

[89] Senator Anderson and Representative Thomason.

for another year under Section 5(*g*) of Public Law 45 or under the parallel section of Public Law 229.[90]

Mr. Anderson then requested the Department orally, later confirmed in writing, to approach the Mexican Government to secure permission for the contracting of some 300 of these workers now in New Mexico under the agreement of April 26, 1943. He was informed that the Department would make such an approach if the War Food Administration, the administrative agency of this Government under the agreement, would join in the request and signify its willingness to contract these workers and to assure them all the guarantees of the international agreement under reference.

In a letter dated March 17, 1944, a copy of which is enclosed,[91] the War Food Administration has now requested the Department to approach the Mexican Government on this question. In discussing this matter with an officer of the Department, officials of the Administration have stated that they are ready to contract all or any part of these workers for whom the Mexican Government is willing to extend permission. It was further stated that if permission was not given for the contracting of the group for New Mexico it would immediately be necessary to replace them, at considerable expense, by bringing in workers contracted in Mexico City. The officials of the Administration also stated that contracts would be extended only to those individuals who wished to accept them and that intervention in the contracting process by representatives of the Mexican Government would be entirely acceptable, whether those representatives were especially named for the task or were Mexican Consuls or labor inspectors now in the United States.

You are requested, in your discretion, to approach the Mexican Government on this subject with a view to securing the desired permission for the contracting of all or part of the approximately 2,000 workers under reference so that they may continue in the regions where they are now employed. It will be appreciated if this matter is presented to the Mexican Government on an urgent basis so that the appropriate agencies of this Government may complete the necessary plans to contract any or all of these workers or to replace them by other workers, if possible, in order that there may be no interruption in the production of the important crops which are in their care.

Very truly yours, For the Secretary of State:
A. A. Berle, Jr.

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[90] See footnote 80, p. 1300.
[91] Not printed.

811.504 Mexico/367a

The Secretary of State to the Ambassador in Mexico (Messersmith)

No. 5474 [WASHINGTON,] March 22, 1944.

SIR: Reference is made to the Embassy's despatches no. 15,311 of January 13, 1944 [92] and no. 16,193 of March 1, 1944 and to the Department's telegram no. 303 of February 12, 1944 and airgram no. A–422 of March 2, 1944 [93] regarding the administration in 1944 of Mexican agricultural workers brought in under the agreement of August 4, 1942 as revised on April 26, 1943. The Department's communications under reference contained assurances from the War Food Administration that the administration of Mexican agricultural workers during 1944 would be on the same basis as in 1943 in the thirteen States listed, i.e., California, Nevada, Arizona, Colorado, Kansas, Montana, Nebraska, North Dakota, South Dakota, Wyoming, Idaho, Oregon and Washington.

There is now enclosed for your information a copy of a letter dated March 17, 1944 from Mr. Marvin Jones,[94] War Food Administrator, in which he requests that arrangements be made with the Mexican Government to permit the Administration to carry on contracting in Mexico for the maintenance in the United States of the full quota of 75,000 workers. He reiterates his assurances that the handling of these workers will be on exactly the same basis as last year.

You are therefore requested, in your discretion, to approach the Mexican Government on the basis of Mr. Jones' assurances and with a view to securing from that Government approval for the War Food Administration to proceed with the necessary selecting and contracting of workers to maintain a quota of 75,000 in the United States.

It is the understanding of the Department that the War Food Administration will continue to submit monthly contracting schedules to the Mexican Government through the Department and the Embassy. Five copies of the last edition of this schedule were sent to the Embassy as an enclosure to instruction no. 5340 of February 23, 1944.[95]

It will be appreciated if this matter is presented to the Mexican Government on an urgent basis and a prompt report is made to the Department.[96]

Very truly yours, For the Secretary of State:
A. A. BERLE, JR.

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[92] Not printed.
[93] Telegram 303 and airgram A–422 not printed.
[94] Letter not printed.
[95] Schedule and instruction not printed.
[96] In reply, the Ambassador in his despatch 16,705, March 29, 1944, informed the Secretary that the War Food Administration could proceed with recruiting for the 75,000 worker quota on the same administrative basis as in 1943 (811.504 Mexico/378).

811.504 Mexico/384

The Second Secretary of Embassy in Mexico (O'Donoghue) to the Chief of the Division of Mexican Affairs (McGurk)

MÉXICO, D. F., March 28, 1944.
[Received March 31.]

DEAR JOE: The Ambassador saw Dr. Padilla last night at which time the latter raised with him what he termed a very serious situation existing and developing along the border with respect to the illegal transportation to Texas of Mexican workers. The Minister said this was due to the fact that individuals from Texas had been coming into Mexico and promising Mexican workers all sorts of inducements to come to Texas; that once in Texas the promises were never fulfilled, and the Mexican workers were very badly treated. The Minister said that this illegal entry was in some cases facilitated by Mexican border officials, and, he indicated, was winked at by United States immigration officials. Dr. Padilla said to the Ambassador that he felt that something very drastic must be done to curb this illegal activity.

While I was at the Foreign Office last night, Tello [97] also broached the matter to me in more general terms. He said that in the opinion of the Ministry it would be decidedly helpful to have an early conference of United States and Mexican immigration officials here in Mexico, and perhaps later at the border posts, in order that those officials might study the situation and recommend the adoption of measures to remedy it. I told him that at the moment there were several United States immigration officials examining into the situation along the border, and that I was certain if such a conference is proposed by the Ministry, United States Government officials would be glad to cooperate. I added that we were just as eager to have the border situation clarified as is the Mexican Government.

Tello said that the Ministry had yesterday sent a note to Gobernación suggesting the advisability of such a conference, and that he hoped to make a formal suggestion therefor to the Embassy within the next three or four days.

You may wish to bring the above information to the attention of the immigration officials in Washington, so that they may be prepared for the suggestion. We are sending a copy of this letter both to Bill Blocker [98] and George Winters.[99]

With kindest regards,

Ever sincerely yours, SID

[97] Manuel Tello, Oficial Mayor of the Foreign Office.
[98] William P. Blocker, Consul General at Ciudad Juárez.
[99] Consul at Nuevo Laredo.

811.504 Mexico/368

The Secretary of State to the Ambassador in Mexico (Messersmith)

No. 5518 WASHINGTON, April 1, 1944.

SIR: Reference is made to your despatch no. 14,248 of November 16, 1943 and to your telegram no. 469 of March 27, 1944,[1] concerning the special joint commission established by the Government of the United States and the Government of Mexico for the clarification, in regard to railroad workers, of the non-agricultural workers agreement of April 29, 1943.

The work of the commission has now been completed, and the recommendations of the four commissioners have been submitted as a joint report dated March 9, 1944, which was signed on March 23, 1944 in this capital, after approval by both Governments. There are enclosed for your information two signed copies of the report, one in English and one in Spanish. The four commissioners, Messrs. Luis Padilla Nervo and Manuel Aguilar for Mexico, and Robert L. Clark and William G. MacLean for the United States, have further recommended that the provisions of the report be made effective by exchanges of notes between the two Governments on April 8, 1944.

In conformance with this agreement, you are authorized to exchange two notes, as explained below, with the Mexican Foreign Office on April 8, 1944 to make effective the recommendations contained in the commission's report. One exchange of notes should incorporate the first three pages of the report in English as transmitted herewith, and the other exchange should be to place on record the clarifications set forth in the last three pages of the English text under reference. Under instructions from the War Manpower Commission, that agency's representative on this special commission requested that the exceptions or clarifications forming the last part of the report be the subject of a separate note, and Mr. Padilla Nervo likewise expressed a desire to have this part of the report in a separate note. For your information, the reason for this request for two notes is that the War Manpower Commission and apparently the Mexican Labor Department at the present time desire to have no publicity given to these clarifications or exceptions. The War Manpower Commission also prefers that no publicity be given to the first exchange of notes although it understands that the Mexican Government will of course have need to make an announcement thereof sooner or later in reference to the distribution among the workers affected of the fund involved.

When this exchange of notes has been completed, please inform the Department by telegram, and, in due course, please provide the

[1] Neither printed.

Department with copies thereof for its files and for transmission to the War Manpower Commission.[2]

Very truly yours, For the Secretary of State:
DEAN ACHESON

[Enclosure]

MARCH 9, 1944.

REPORT OF THE JOINT MEXICAN-UNITED STATES COMMISSION ON MEXICAN RAILROAD WORKERS IN THE UNITED STATES UNDER THE AGREEMENT OF APRIL 29, 1943

The commissioners representing the Republic of Mexico and the United States of America recognize that with respect to the employment of Mexican nationals on the railroads of the United States under the agreement between the two Governments dated April 29, 1943, both the Republic of Mexico and the United States have acted in consistent good faith. Notwithstanding, certain differences in the interpretation of the agreement have arisen. In the course of the conversations which have been held by the commissioners, under instructions from their respective Governments, a careful examination has been made of the agreement itself and of all pertinent subsidiary documents. Visits have been made to the places of employment of Mexican and domestic workers in the State of California, where conditions which would illustrate the misunderstandings at issue were carefully investigated by direct observation and by interrogation of workers and supervising officials. Following this examination of all the facts having a bearing on the case, the commissioners, in accordance with instructions from their respective Governments, proceeded to seek a definition of the term "place of employment", as used in section III–B–1 of the agreement, and to consider a settlement of the misunderstandings which had arisen in the application of the agreement.

This work having been completed, the members of the commission present to their respective Governments the following joint resolution in regard thereto:

"With respect only to those non-agricultural Mexican workers contracted by the Government of the United States of America through the War Manpower Commission, in accordance with the agreement dated April 29, 1943, and who work with certain railroad corporations, it is understood that 'place or region of employment' is the zone corresponding to the railroad district generally known in the United States of America as a 'roadmaster's district', with such limits as are already established for each roadmaster's district by the railroad corporation having jurisdiction over the same.

[2] Copies of the notes described above, No. 2502 and No. 2503 from the Ambassador and No. 3589 and No. 3600 from the Mexican Minister for Foreign Affairs, all dated April 8, 1944, were transmitted to the Department in despatch No. 17,014 of April 17; notes and despatch not printed.

"In the case of those railroads which do not administer maintenance of way by roadmaster's districts, it shall be understood that the 'place of employment' shall be the already established district under the authority of that supervisory official having comparable administrative jurisdiction over comparable territory.

"In respect to the claim of the Mexican Government against the United States Government under section III–B–1 of the agreement of April 29, 1943, it is agreed that such claim shall be satisfied by payment by the Government of the United States of America to the Government of Mexico of the sum of $300,000. It is understood that the payment of the sum herein mentioned is accepted by the Government of Mexico as a complete and final settlement of all claims against the Government of the United States under section III–B–1 of the agreement of April 29, 1943 up to and including the date on which this agreement is made effective by an exchange of notes between the two Governments."

In examining possible applications of the above agreed-to definition of the "place of employment", the American members of the Commission have pointed out the possibility of conflict between section III–B–1 of the agreement of April 29, 1943 as herein defined and certain laws and labor practices in the railroad industry which are beyond the control of employers or the administrative officers of the United States Government. In view of this fact they have been instructed by their Government to state the necessity of placing on record by a simultaneous exchange of notes a clarification of the proposed agreement to the effect that the following circumstances shall not be considered violations of the agreement as interpreted:

1. The existence of wage differentials arising from the so-called "step rate" increases paid as a bonus for continuity and seniority of employment since these increases are equally applicable to Mexican nationals when they have established such seniority.

2. The existence of wage differentials known as "tunnel rates" paid for peculiarly hazardous or arduous work. These differentials, it is understood, shall be equally applicable to Mexican workers who accept such work.

3. The temporary emergency use of workers of other rates of pay following an unforeseeable and uncontrollable act of nature which disrupts or threatens to disrupt essential traffic, provided the workers brought in are not paid for this emergency work more than their usual rates of pay for their regular employment. This exemption shall be effective only until traffic is reestablished but in no case for more than ten days.

4. Differentials in wages within the same roadmaster's district resulting from wage rates established under the Railway Labor Act and frozen by the Wage Stabilization Act, and which are part of the major wage structure of the industry as laid down by the first-mentioned Act, provided that official copies of the maps of these districts are immediately placed on record with the Mexican Government. It is understood that any benefits under these Acts shall also be enjoyed by Mexican workers.

5. Incidental operations within the place of employment not connected with the railroad operation or maintenance by persons who are neither directly nor indirectly in the employ of the railroads.

At the request of the Mexican members of the commission it was agreed to request the Government of the United States to take action through appropriate channels to expedite the assignment of properly qualified Mexican nationals, in the United States under the agreement, to other types of railroad employment which require greater skill than track maintenance and which are more highly paid.

The Commissioners of Mexico and of the United States of America sign this Joint Resolution, after approval by their respective Governments, in the city of Washington, District of Columbia, on March 23, 1944.

LUIS PADILLA NERVO *Commissioner of Mexico*	ROBERT L. CLARK *Commissioner of the United States*
MANUEL AGUILAR *Commissioner of Mexico*	WILLIAM G. MACLEAN *Commissioner of the United States*

811.504 Mexico/418

The Ambassador in Mexico (Messersmith) to the Secretary of State

No. 17075 MÉXICO, D.F., April 18, 1944.
[Received April 24.]

SIR: I have the honor to transmit herewith a translation of a note dated April 17, 1944,[3] from the Mexican Foreign Minister, suggesting the desirability of informal conversations between immigration officials of our two countries with respect to border immigration problems. Mexican officials are becoming increasingly concerned over the number of Mexican nationals illegally entering the United States for the purpose of seeking employment. (Reference Department's note of March 15 to Mexican Embassy; File No. 811.504 Mexico/341.) [4]

It will be noted that the Foreign Minister suggests that such conversations might well include the question of the 2,000 Mexican farm workers who entered the United States under Section 5(*g*) of Public Law 45 during the first two weeks in May 1944, and who are the subject of the Department's instruction no. 5468 of March 21, 1944. It may be added that it is believed no opposition will be raised by the Mexican

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[3] Not printed.

[4] In its note of March 15 the Department informed the Mexican Embassy that the United States Immigration and Naturalization Service was taking all steps possible, consonant with the manpower situation, to apprehend the illegal entrants and return them to Mexico.

authorities to the documentation of the labor under the existing Agricultural Workers' Agreement.

Respectfully yours, For the Ambassador:
S. E. O'DONOGHUE
Second Secretary of Embassy

811.504 Mexico/378

The Secretary of State to the Ambassador in Mexico (Messersmith)

No. 5591 WASHINGTON, April 20, 1944.

SIR: Reference is made to the Department's instruction no. 5474 of March 22, 1944 and to the Embassy's reply thereto, despatch no. 16705 of March 29, 1944,[5] regarding the assignment of Mexican agricultural workers under the 75,000 quota to States other than the thirteen listed in the instruction under reference.

Upon receipt of your despatch the War Food Administrator was informed by letter dated April 8, 1944[6] that it was your opinion that recruiting could proceed for these thirteen States, including California, up to the 75,000 overall limit and with no further reference to the previously established limit of 10,000 in the case of California.

There is enclosed for your information a copy of a letter dated April 17, 1944[6] from the War Food Administration in which it is requested that the Mexican Government be informed that the Administration now desires to select and contract workers for six additional States under the overall quota. The States named are Iowa, Michigan, New Mexico, Minnesota, Utah and Wisconsin. In conformity with the desire of the Mexican Government, assurance is given that Mexican nationals employed in any of these States will be under the jurisdiction of the War Food Administration.

Please inform the Mexican Government, in your discretion, of this request of the War Food Administration with a view to obtaining the desired authorization for the employment of Mexican workers in the six States listed. Please notify the Department of the nature of that Government's reply at your earliest convenience.[7]

Very truly yours, For the Secretary of State:
A. A. BERLE, JR.

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[5] Latter not printed.
[6] Not printed.
[7] In despatch 17,453, May 8, 1944, the Ambassador informed the Department that the Mexican Foreign Office perceived no objection to this request (811.504–Mexico/441).

811.504 Mexico/465

The Acting Director of the Bureau of Placement of the War Manpower Commission (Motley) to the Chief of the Division of Mexican Affairs (McGurk)

WASHINGTON, May 9, 1944.

DEAR MR. MCGURK: As you know, the Mexican Government has approved a ceiling of 40,000 Mexican Nationals who may leave Mexico to engage in railroad employment in the United States and which ceiling may be maintained by the recruitment of replacements for those workers who return to Mexico.

Although the 40,000 workers have been allocated to the railroads the number of Mexicans actually engaged in such employment will always be less than that of the approved ceiling. Workers who are missing from their contract employment and whom the United States Immigration and Naturalization Service has not reported as repatriated are included in the approved ceiling. Also a considerable amount of time elapses from the time workers complete their contracts until replacements report for work, which is necessitated by (1) travel of workers to the border, (2) lists of repatriates made at border points at weekly intervals and forwarded to the Railroad Retirement Board, (3) identification by Railroad Retirement Board of repatriates by railroads and forwarding such reports to the Immigration Service, (4) notification of Immigration officials in Mexico of number of replacements which can be admitted, (5) arrangement by Railroad Retirement Board of recruitment schedule for replacements, (6) travel of employer representatives to Mexico, (7) recruitment of replacements, and (8) transportation of replacements to the place of employment in the United States. When workers return to Mexico before their contracts have expired, such numbers may be so small for a given railroad that it may be months before a large enough number can be built up to justify recruitment, and when this is multiplied by the twenty-nine railroads participating in this program, the railroads lose the services of an appreciable number of workers.

In order that the railroads may be assured of the services of at least 40,000 Mexican contract workers at all times it is requested that the Mexican Government be asked to approve a ceiling of 50,000 of their Nationals who may be in the United States at any one time for railroad employment.[8]

Very truly yours, A. W. MOTLEY

[8] A copy of this letter was forwarded to Ambassador Messersmith in instruction 5732, May 26, with the request that he present the Commission's request to the Mexican Government "when and if circumstances indicate that the request might receive favorable consideration." (811.504 Mexico/465)

811.504 Mexico/474

The Chief of the Foreign Labor Section of the War Manpower Commission (Coates) to the Chief of the Division of Mexican Affairs (McGurk)

WASHINGTON, May 24, 1944.

DEAR MR. MCGURK: Your attention is being called to an extremely critical situation as regarding labor needs for the food processing industry which is rapidly approaching an acute stage and which may yet result in the inability of this industry to meet its scheduled production of processed food for Lend-Lease and the armed forces.

It is requested that approval be obtained from the Mexican Government for the immediate importation of 5,500 food processing workers to be allocated as follows: 3,000 to the State of Washington, 2,000 to California, and 500 to Oregon.

The importance of the West Coast in processing the nation's food is evidenced by the fact that these three states alone contribute practically all of the apricots and prunes, 96 per cent of the sweet cherries, 92 per cent of the peaches and pears, 30 per cent of the tomatoes, 26 per cent of the peas, and 18 per cent of the snap beans processed in this country.

The War Manpower Commission is endeavoring to recruit manpower to meet these increased labor needs for the food processors on the West Coast from domestic sources, prisoners of war, temporary labor from the armed forces, and foreign labor, but critical needs of other industries and lack of sufficient shipping indicate that the problem cannot be met fully without the importation of additional labor from Mexico.

While it is regretted that urgent action of this type has become necessary, the situation cannot be avoided if the War Manpower Commission is to do all within its power to meet the labor needs of critical production programs as they develop. Accordingly, it is urgently requested that the State Department determine the attitude of the Mexican Government towards the importation of 5,500 Mexican workers at the earliest possible moment.[9]

Very truly yours, JOHN D. COATES

[9] In reply to this request, Mr. McGurk informed Mr. Coates by letter dated June 12 that Ambassador Messersmith had discussed with the Mexican Foreign Office the question of additional quotas of Mexican workers and had been informed that present circumstances did not permit the extension of the present quotas or establishment of additional ones (811.504 Mexico/474).

811.504 Mexico/472

The Ambassador in Mexico (Messersmith) to the Secretary of State

No. 18085 MÉXICO, D.F., June 6, 1944.
[Received June 10.]

SIR: I have the honor to refer to the Embassy's despatch no. 17075 of April 18, 1944, and subsequent correspondence relating to the suggestion of the Mexican Minister for Foreign Affairs for the holding of informal conversations with respect to border immigration problems, particularly the clandestine entrance of Mexican laborers into the United States, and to report that the conversations were held daily in the Foreign Office beginning May 29, 1944, and continuing up to and including June 2.

The discussions were conducted on a most friendly basis and with evident understanding on both sides of the mutual problems involved. On the last day the United States and Mexican participants signed a protocol (enclosures nos. 1 and 2)[10] providing, in brief, as follows:

(1) The Mexican delegates to recommend to their government the reinforcement of the Mexican border patrol in an attempt to prevent the illegal exodus of Mexican citizens, and the establishment of new passport regulations for the same object;
(2) The American delegates to recommend to their government the reinforcement of the immigration service border patrol to complement the promised efforts of the Mexican authorities;
(3) A joint recommendation that adequate publicity be given to the efforts of the two governments to prevent the illegal migration of persons of the laboring class;
(4) The return to Mexican soil for documentation under the terms of the agreements for the recruitment of agricultural workers of the remnants of the 2,044 Mexicans who were admitted into the United States under Public Law no. 45 in May of 1943;
(5) The return to Mexican soil of male Mexicans who entered and remain illegally in the United States, said number being estimated by the Mexican delegation at approximately 20,000, a figure accepted by the Americans only as a basis for discussion;
(6) The suggestion that the Mexican Government enforce its restriction on the issuance of so-called Form No. 5–C, a document in lieu of a passport, to actual residents of border municipal districts who may wish to enter the United States as non-immigrants;
(7) The American delegates to recommend to their government that its diplomatic and consular representatives in Mexico be instructed to issue visas to Mexican nationals in accordance with designations placed on their passports by the issuing authorities, i. e., whether for emigration or non-emigration purposes, such restriction being to assist the Mexican Government in controlling the travel of Mexicans.

The opening of the conversations was attended by the Ambassador, Mr. Herbert S. Bursley, Counselor of Embassy, Dr. Ezequiel Padilla,

[10] Not printed.

Minister for Foreign Affairs, and Mr. Manuel Tello, Oficial Mayor of the Foreign Office. Dr. Padilla delivered a brief address of welcome (enclosure no. 3),[11] in which, to the Embassy's regret, the mention of racial discrimination was included. However, that question, while brought up on two occasions during the subsequent conversations, never became the subject of a major discussion.

The delegates were:

American: Mr. Earl G. Harrison, Commissioner of Immigration and Naturalization; Mr. Joseph Savoretti, Deputy Commissioner of Immigration and Naturalization; Mr. Howard K. Travers, Chief of the Visa Division, Department of State; Mr. William G. MacLean, Division of Mexican Affairs, Department of State; Mr. G. C. Wilmoth, District Director of Immigration, El Paso, Texas; Mr. William P. Blocker, American Consul General, Ciudad Juárez, Mexico; Mr. George H. Winters, American Consul, Nuevo Laredo, Mexico; Messrs. Raleigh A. Gibson and Maurice L. Stafford of the Embassy staff, Mexico City.

Mexican: Sr. Alfonso Guerra, Director General of Foreign Commerce and of the Consular Service, Ministry for Foreign Affairs; Sr. Alvaro Domínguez V., Vice Consul of the Mexican Foreign Service; Licenciado José Cándano, Private Secretary to the Under Secretary of Gobernación; Sr. Arcadio Ojeda García, Sub-Chief of the Department of Migration, Secretaría de Gobernación; Licenciado Marco Antonio Muñoz, Sub-Chief of the Department of Government, Secretaría de Gobernación, and Architect Jorge L. Medellín, Chief of the (Department) of Protection, Department of Labor.

It was announced that the Oficiales Mayores of the Foreign Office, Gobernación, and Labor, respectively Messrs. Manuel Tello, Dr. Héctor Pérez Martínez, and Licenciado Luis Padilla Nervo, and Licenciado Luis Fernández del Campo, of the Department of Labor, would also be considered as members of the Mexican delegation. Messrs. Tello, Padilla Nervo, and Fernández del Campo attended one session, that of the morning of June 1.

The presence of Messrs. Harrison, Travers, MacLean, Savoretti and Wilmoth and their tact and sympathetic understanding of Mexico's problems constituted a predominant factor in the success of the conference which is considered to have had a beneficial effect upon the relations between members of the Embassy staff participating and the Mexicans with whom they have frequent contact.

Since the minutes of the daily sessions may have only limited interest, they are being transmitted in triplicate only (enclosure no. 4).[11] Should the Department so desire, copies by the ozalid process will be prepared and submitted.

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[11] Not printed.

The original signed Spanish and English texts also are attached as enclosures nos. 5 and 6, respectively.[12] Similar signed texts, also in both languages, have been retained by the Mexican Foreign Office.

Respectfully yours, For the Ambassador:
M. L. STAFFORD
American Consul General

811.504 Mexico/478a

The Secretary of State to the Ambassador in Mexico (Messersmith)

No. 5830 WASHINGTON, June 13, 1944.

The Secretary of State refers to the agreement of April 29, 1943 for the temporary migration of Mexican nonagricultural workers and informs the Officer in charge that the War Manpower Commission has recently reached a decision to permit the renewal of contracts of Mexican railroad workers for periods less than 180 days but in no event for less than 90 days. The agreement under reference specifies no fixed period for the contracting of workers, but to date it has been the custom to extend contracts for 180 days, the equivalent of six months, and to renew them for a like period. The Department has been informed by the War Manpower Commission that in many cases Mexican railroad workers are willing to renew their contracts for 90 days but not 180 days and that the employing railroads are agreeable to this period as an accommodation to the workers.

The Officer in charge, in his discretion, may wish to inform the Mexican Government of the above-mentioned decision, in which case it should be stressed that the reason for the change was the convenience of Mexican workers, many of whom, especially in the northern States, wished to terminate their obligations before the arrival of the cold fall and winter months.

811.504 Mexico/7–344 : Airgram

The Ambassador in Mexico (Messersmith) to the Secretary of State

MÉXICO, D.F., July 1, 1944—11 a. m.
[Received July 3—3 p. m.]

A–2303. Reference is made to the Department's instruction no. 5732 of May 26, 1944,[13] with regard to a request received from the War Manpower Commission that Mexican Government raise the quota for Mexican railway workers in the United States from 40,000 to 50,000.

The Embassy has discussed this matter on several occasions with Mexican Foreign Office and Ministry of Labor officials. The Min-

[12] Not printed.
[13] See footnote 8, p. 1312.

ister of Labor [14] informed the Counselor of Embassy orally today that the increase has been approved by the President. The Minister requested that the 10,000 men be recruited from States in the southern part of Mexico and he suggested 3,000 from Veracruz, 4,500 from Chiapas, 1,200 from Tabasco, 500 from Campeche and 1,000 from Yucatan. Questions concerning difficulties in transportation from these points and the ability of people from these areas to withstand the winter climate of the United States were discussed at length with the Minister and also with Messrs. Brown and Hough, representing the War Food Administration and the War Manpower Commission respectively in Mexico. Reasonably satisfactory assurances were received from the Minister with regard to transportation facilities. In view of the fact that a part of these workers will be agricultural laborers and because of the tropical environment in which they live, the Minister of Labor desires that approximately one-half of the 10,000 men be recruited for farm work in California. In this event, the quota for railway workers will not be affected as recruiting will take place in other parts of Mexico up to the 50,000 figure. The Embassy considers it expedient to defer to the wishes of the Minister of Labor in view of his cooperation in the past and his argument that the manpower resources of the southern Mexican States have been untouched to date in recruiting for the two programs. Licenciado Gurria* is a former Governor of Tabasco and is also personally interested in our recruiting workers from that State. In Hough's opinion the need of the War Manpower Commission for 10,000 extra men is so great that the locality of the supply sources is of secondary importance. He and Brown will discuss with a Ministry of Labor official this afternoon arrangements for the recruiting of the agricultural and track workers from the regions mentioned above.

MESSERSMITH

811.504 Mexico/7–1244

The Ambassador in Mexico (Messersmith) to the Secretary of State

No. 18692 MÉXICO, D.F., July 12, 1944.
[Received July 18.]

SIR: I have the honor to transmit herewith five copies of an Order [15] issued by the Sub-Director of the Mexican Customs Administration to Collectors of Customs, authorizing free entry of personal and incidental effects brought into Mexico by Mexican contract laborers returning to this country from the United States. This measure will not only be beneficial to the workers and their families here, in that it

[14] Ignacio García Téllez.
*Francisco Trujillo Gurria. [Footnote in the original.]
[15] Not printed.

will encourage a more economical spending of wages earned in the United States, but will be of some assistance to the recruiting program, as workers will be encouraged to re-apply for contracts after returning to Mexico. It is not believed that the merchandise thus brought back duty free will enter into commercial channels here to any appreciable extent.

Respectfully yours, For the Ambassador:
PAUL J. REVELEY
Second Secretary of Embassy

811.504 Mexico/7–1544

The Ambassador in Mexico (Messersmith) to the Secretary of State

[Extracts]

No. 18,712 MÉXICO, D.F., July 15, 1944.
[Received July 20.]

SIR: I have the honor to report that on July 5, 1944, a conversation was held at the residence of this Embassy between the Honorable Claude R. Wickard, Secretary of Agriculture of the United States, Ingeniero Marte R. Gómez, Minister of Agriculture of Mexico, and at which were present Ingeniero Alfonso Gonzalez Gallardo, Undersecretary of Agriculture of Mexico, Mr. L. A. Wheeler, Director of Foreign Agricultural Relations, United States Department of Agriculture, Dr. L. D. Mallory, Agricultural Attaché of this Embassy and myself. The conversation was rather lengthy and revolved around two principal points. The first of these was the desire of the Minister of Agriculture to know what might be the attitude or plans of the United States respecting the post-war trade situation of agricultural products, especially those which would again come into highly competitive supply when the far eastern countries are liberated. The second point related to the return of agricultural laborers to Mexico who are presently working in the United States.

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Concerning the second point, the Minister explained that the return of Mexican laborers from the United States would pose an important problem to the Mexican Government. He said that it was hoped that new knowledge and skills learned by the laborers in the United States could be made useful to Mexico. He explained that the preoccupation of the President of the Republic was that the laborers should be given an opportunity to use any acquired skills and to avoid that the return of considerable numbers of them at any one time constitute a factor of political disturbance. It was of course understood by the Americans present that the Minister had in mind the considerably higher wages gained by the laborers in United States and the usual better

conditions of living which they have enjoyed. The Minister said that efforts should be made to establish some colonies on areas now being opened up and intimated that very possibly part of the lands which would be irrigated by the new Azucar Dam in the Rio Grande Valley would be so employed. The Minister's principal request was for forecasts of the probable time when laborers would be returned to Mexico in substantial numbers. Secretary Wickard and Mr. Wheeler agreed that several agencies were involved in Washington, and that it would not be possible to obtain complete information from any one of them, but the Office of Foreign Agricultural Relations would endeavor to assemble information from time to time from the several agencies concerned for transmission to the Minister of Agriculture.

The two Secretaries of Agriculture had a full, frank and free discussion and I believe that the visit of Secretary Wickard to Mexico was worth while in promoting understanding and friendship.

Respectfully yours, GEORGE S. MESSERSMITH

811.504 Mexico/7–1444

The Chief of the Division of Mexican Affairs (McGurk) to the Ambassador in Mexico (Messersmith)

WASHINGTON, July 18, 1944.

DEAR MR. AMBASSADOR: I refer to the recommendations prepared by the special commission on immigration and labor problems which met in Mexico City from May 29 to June 2, 1944.[16]

Mr. Joseph Savoretti, the Deputy Commissioner of Immigration and Naturalization, has just informed us that as a result of the intensified deportation program which the Mexicans requested in connection with Mexican agricultural workers illegally in this country, a total of 7,087 were returned to Mexico during the month of June.

This figure indicates the seriousness with which Messrs. Harrison [17] and Savoretti have undertaken to carry out the Immigration Service's part of the recommendations. You will recall that during the meetings in Mexico City statistics were given to show that total deportations in the year 1942 were 2,905; in 1943, 9,818, and in the first four months of 1944, 9,353. It was understood at the time of the meetings that the Immigration Service could probably repatriate about 20,000 Mexicans in six months' time. At the present rate, this number will be passed in three months. This rate probably indicates more enthusiasm than was necessary and no doubt explains many of the reactions in the Lower Rio Grande Valley.

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[16] See despatch 18085, June 6, from Mexico City, p. 1314.

[17] Earl G. Harrison, Commissioner of the Immigration and Naturalization Service.

In view of this activity on the part of this Government, it would be most helpful if some agricultural workers under the agreement could be moved into Texas, even though only to the El Paso district which is now impatient for the arrival of the 2,000 workers under certification and negotiation.

Sincerely yours, J. F. McGURK

811.504 Mexico/8–244 : Telegram

The Acting Secretary of State to the Ambassador in Mexico (Messersmith)

WASHINGTON, August 2, 1944—1 p. m.

1457. ReDepins 5633, April 29, 1944 [18] and your and Bursley's letters, May 3 and 4.[19] After over-all review of war production matters yesterday War Mobilization Director Byrnes informed the Department formally last night that the shortage of unskilled forge, foundry, tire and other heavy workers is extremely critical unless additional workers can be secured immediately.

You are, therefore, requested to present this matter to the highest Mexican authorities at the earliest possible moment with a view to securing up to 25,000 unskilled workers. They will have guarantees under April 29, 1943 agreement, wages are generally higher than for railroad workers, and adequate housing will be provided as under agreement.

Please explain to the Mexican authorities that this Government is greatly appreciative of their cooperation and assistance in the matter of securing Mexican labor in the past and that this appeal would not be made at this time unless it was vital to the United Nations war effort.

Please emphasize as strongly as possible on the Mexican authorities the importance of this matter and inform the Department at the earliest possible moment of results.

STETTINIUS

811.504 Mexico/8–1144 : Airgram

The Acting Secretary of State to the Ambassador in Mexico (Messersmith)

WASHINGTON, August 11, 1944—5 : 35 p. m.

A–1916. Reference is made to the Department's instruction 5591 of April 20, 1944 and to other communications regarding the assignment of Mexican agricultural workers under the 75,000 quota to various States which have solicited their services.

[18] Not printed.
[19] Neither printed.

The Department has now received a communication, dated August 3, 1944,[20] from the War Food Administrator, asking that the approval of the Mexican Government be requested for the employment of Mexican agricultural workers in the following additional States: Indiana, Illinois, Mississippi and Missouri. The States under reference have agreed that they will not request that any authority be delegated to them in connection with the administration of workers brought in, and the Administrator assures the Department, for the information of the Mexican Government, that workers assigned to these four States will be under the jurisdiction of the War Food Administration, as provided in the revised agreement of April 26, 1943.

The Administrator has requested that the securing of approval be expedited as much as possible in view of the fact that the workers are already needed to assist in the harvest of important crops.

STETTINIUS

811.504 Mexico/8–2444

The Ambassador in Mexico (Messersmith) to the Secretary of State

No. 19,678 MÉXICO, D. F., August 24, 1944.
[Received August 29.]

SIR: I have the honor to transmit herewith a copy and translation of a memorandum dated August 17, 1944,[20] from the Mexican Foreign Office, stating that the Ministry of Labor, in accordance with a resolution dictated by the President of the Republic, desires to designate ten special inspectors to investigate living and working conditions of Mexican workers employed as maintenance of way labor on railways in the United States.[21] The Ministry of Labor desires that the War Manpower Commission take the necessary steps for the payment of subsistence and transportation of these inspectors, with the understanding that their salaries will be taken care of by the Government of Mexico.

It will be recalled that this question has been already brought to the attention of the War Manpower Commission by its representative here in Mexico; and that there has also been a certain amount of informal correspondence with officers of the Mexican Division in the Department. On August 22, the Minister for Foreign Affairs mentioned this matter to me and expressed the hope that an early favorable decision would be arrived at. I may add that, in my opinion, if we should fail to agree to the appointment of these inspectors and to

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[20] Not printed.

[21] Previous to this time, the only Mexican inspectors were 10 men originally assigned to the farm program, 5 of whom had been devoting part-time to inspection of conditions in the track program (811.504 Mexico/9–444).

provide for the payment of their subsistence and transportation, it would seriously jeopardize the program of recruiting non-agricultural workers.

Respectfully yours, GEORGE S. MESSERSMITH

811.504 Mexico/8–2544

The Ambassador in Mexico (Messersmith) to the Secretary of State

No. 19,698 MÉXICO, D. F., August 25, 1944.
[Received August 29.]

SIR: I have the honor to refer to the Department's telegram No. 1457 of August 2, 1 p. m., requesting me to bring before the Mexican Government the desire of our Government that 25,000 additional unskilled workers be recruited, more particularly for the forge, foundry and tire industry. I also have to refer to my despatch No. 19,245 of August 4,[22] and to various telephone conversations and informal letters addressed to Mr. McGurk in the Department of State on this matter. I also have to refer to my despatch No. 19,483 of August 15, 1944,[22] reporting further progress and to the effect that the President of Mexico had given his provisional agreement to the recruitment of these 25,000 additional workers.

I now have to inform the Department that the Minister of Foreign Relations, Dr. Padilla, informed me today that he had again discussed this matter with the President of Mexico yesterday who had given appropriate instructions to the Ministry of Labor towards carrying through the recruitment of these 25,000 additional unskilled workers. The Minister stated that the recruitment could begin as soon as the appropriate machinery could be set up. He said that the recruitment would have to be carried forward in the larger cities and I gathered that he had particularly in mind Mexico City. I feel confident that these additional unskilled workers will have to be recruited in the cities and more particularly Mexico City in view of the fact that one of the factors which has been holding up action on this matter is that there is this considerable opposition in so many quarters in Mexico already to the recruiting we are carrying on of agricultural workers and track workers in various parts of the country. The Minister said that the President wished to be helpful in this matter in view of the urgent representations which I had made on behalf of my Government.

The Minister said that undoubtedly some additional recruiting machinery would have to be set up and as this involved certain problems, he would ask me to have the appropriate officers of the Embassy meet with the Under Secretary of Foreign Relations, Dr. Tello, and

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[22] Not printed.

the Oficial Mayor of the Department of Labor.[23] Provisional arrangements for a meeting of this kind have been made for tomorrow morning when certain details will be discussed and thereafter the Embassy will get immediately in touch with the Department to inform it of some of the practical details involved in the recruitment of these workers. I am confident that additional machinery will have to be set up in addition to that which we already have for the recruitment of track workers and agricultural workers.

I think I should inform the Department that this favorable step on the part of the Mexican Government is only taken by it as a clear indication of its desire to collaborate with us for the recruiting program already presents many internal difficulties in Mexico and this additional recruitment of labor will undoubtedly cause some comment on the part of those who are opposed to the recruiting program in general. For this reason the action of the President of Mexico is all the more indicative of his real desire and determination to collaborate with us.

Respectfully yours, G. S. MESSERSMITH

811.504 Mexico/8–2844

Memorandum of Telephone Conversation, by Mr. William G. MacLean of the Division of Mexican Affairs

[WASHINGTON,] August 28, 1944.

Mr. O'Donoghue telephoned late Saturday afternoon August 26, to say that he had just been in conference with Mr. Luis Padilla Nervo, Oficial Mayor of the Mexican Ministry of Labor, and Messrs. Manuel Tello and Campos Ortiz, of the Ministry for Foreign Affairs, regarding Mexican workers. Mr. O'Donoghue said that Mr. Padilla Nervo reported that the Minister of Labor had talked with the President of Mexico on August 25 and had received instructions to make 25,000 workers available for forge, foundry and tire industries in this country but that the Minister had stated that in order to do this there were a number of questions which had to be settled. Mr. O'Donoghue passed on these questions as follows:

1. Transportation and per diem must be furnished by the War Manpower Commission for ten Mexican labor inspectors.
2. Both agricultural and railroad workers must be provided with uniforms. Mr. O'Donoghue said that he had been given to understand that each worker should be supplied with two uniforms and that wages could be docked to cover the cost. He said the suggestion had been made that Army and Navy fatigue uniforms might be available from surplus supplies.

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[23] Luis Padilla Nervo.

3. It was requested that workers who entered the United States illegally be returned to Mexico through ports of entry specified by the Mexican authorities. Mr. O'Donoghue said they particularly had in mind the workers who were picked up in the Imperial Valley and other points along the western part of the international boundary and that the Mexican Government wanted them returned from the United States through El Paso and Nuevo Laredo, rather than through Mexicali, so that they would return to Central Mexico where their points of origin are believed to be.

4. The Mexicans requested that railroad track workers who are only working eight hours a day be given work for ten hours a day. Mr. O'Donoghue said the Mexicans explained that when railroad workers first went up to the United States they were given ten hours a day of work and they had complained extensively when they were cut to eight hours a day, causing much embarrassment to the Mexican Government. He said that it was especially pointed out that only the Pennsylvania and the New York Central were not working the men ten hours a day and that workers on these roads who knew that other workers were earning more because of the ten hour day were particularly vociferous in their complaints.

5. The Mexican representatives pointed out that apparently certain workers who had gone absent without leave from their assigned work in the United States and who later returned requesting transportation back to Mexico were being thrown in jail and kept there three or four weeks or more. They said that this had taken place in Chicago, and apparently the War Food Administration workers were the ones primarily involved. The Mexicans stated they had no objections to their being rounded up and being returned to Mexico but they did strongly object to having these men placed in jail. They pointed out that such individuals returned to Mexico and had a great deal to say against the treatment given them in this country and that these complaints did not contribute to good neighbor friendship.

6. It was pointed out to Mr. O'Donoghue that in view of the opposition in Mexico in some circles to these labor programs it was most important for the Government to be in a position of having done everything possible to forestall complaints and that it was considered very important to come to a definite agreement with this Government to the following effect: "That the return to Mexico of Mexican workers in the United States upon termination of the agreement should be carried out at a rate no greater than the rate at which these workers were recruited, according to a monthly average." Mr. O'Donoghue clarified this point by saying that they wished to draw up a monthly average for the time these contracts had been in force and to have the return of workers to Mexico limited in any one month to the number in that average.

I stated to Mr. O'Donoghue that I would present these matters promptly to the interested agencies and would supply him with a reply thereon as soon as possible. Mr. O'Donoghue said there was particular emphasis on points (1), (2) and (6), and that it was his understanding that the Mexicans desired to have a definite agreement on point no. 6, presumably in the form of an exchange of notes.

811.504 Mexico/9–444

The Secretary of State to the Chargé in Mexico (Bursley)

No. 6401 WASHINGTON, October 14, 1944.

SIR: Reference is made to a telephone conversation on August 26, 1944 between Mr. Sidney E. O'Donoghue, Second Secretary of the Embassy, and an officer of the Department [24] and to the Department's instruction no. 6258 of September 14, 1944 [25] regarding six questions raised by the Mexican Government in connection with the continued employment of Mexican nationals in the United States under the agreements of April 26 and 29, 1943.

As the Embassy was informed in the instruction under reference, communications were addressed by the Department to the War Manpower Commission, the War Food Administration, and the Immigration and Naturalization Service with the request that each furnish the Department with its opinion regarding any of the points of interest to it. The Department has now received replies from all three agencies and attaches herewith for your information copies of the War Manpower Commission's reply, which is dated September 28, 1944,[25] and of the Immigration and Naturalization Service's reply, dated September 22, 1944.[25] A copy of the War Food Administration's reply, dated September 4, 1944,[25] was forwarded as an enclosure to the Department's instruction under reference.

The six proposals made by the Mexicans are quoted below with a statement of the consensus of opinion on each.

1. That the War Manpower Commission provide funds for subsistence and transportation of the ten inspectors which the Ministry of Labor will send to the United States where there are Mexican maintenance-of-way workers.

The War Manpower Commission is presently completing plans for the payment of per diem and transportation for ten Mexican labor inspectors who will inspect the housing and working conditions of Mexican nationals in the United States for railroad employment. Maps illustrating the regional organization of the War Manpower Commission have already been furnished to the Department and transmitted to the Embassy for delivery to the Mexican Government.

2. That uniforms be provided for Mexican workers (agricultural and railroad) who are in the United States.

The shortage of manpower, coupled with the lack of cutting and sewing machines and material, makes it impossible to arrange for supplying Mexican nationals with uniforms.

3. That workers illegally in the United States be returned to Mexico through ports of entry specified by the Mexican authorities.

[24] See memorandum of August 28, *supra*.
[25] Not printed.

This question refers only to Mexican workers illegally in the United States, and not to workers who have been contracted under either the agricultural or nonagricultural agreements under reference. These illegal entrants were discussed by representatives of the two Governments in Mexico City early in June 1944, and they were the subject of the first three and the fifth numbered paragraphs of the Resolution dated June 2, 1944 [28] which were agreed upon by those representatives. The Department has not been informed that the Mexican Foreign Office has replied to the note of the Embassy, under instructions from the Department, offering to make effective the Resolution of June 2 upon receipt of a reply accepting the terms thereof. In the meantime this Government has been actively carrying out the terms of the Resolution, although it is understood that the Mexican Government has not yet taken all the steps which were contemplated in regard to illegal departures from Mexico and the disposition of such individuals upon their delivery to Mexico by the Immigration and Naturalization Service.

In regard to the present question, the Immigration and Naturalization Service states that the District Director of that Service at Los Angeles, California, reports that 1233 Mexican nationals were deported or granted voluntary departure through ports within his District during the month of June of this year, and that the number increased to 2613 in July. During the same months, the Los Angeles District effected the removal of 111 and 333 Mexican nationals, respectively, through the port of El Paso, Texas. It is pointed out by the District Director that even with the relatively small number of Mexican nationals departing through El Paso from the Los Angeles District, considerable difficulty was experienced in furnishing detention accommodations pending completion of arrangements for their return to Mexico.

A great majority of illegal entrants from Mexico apprehended in the Los Angeles District are found in the Imperial and Yuma Valleys, and most of these persons at the present time are granted voluntary departure through local ports without detention overnight. If such points were to be excluded as ports of departure for these Mexican nationals, in favor of the ports of El Paso and Laredo, Texas, such a practice would not only operate to increase the period of detention of the aliens involved, but would also greatly overtax detention facilities in the Los Angeles District. For these reasons, the proposal of the Mexican Government does not appear to be practicable.

4. That these railroad workers who are at present working only eight hours a day be employed for ten hours a day.

Plans are now being completed for the railroads participating in the program to employ Mexican workers at least ten hours a day.

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[28] For summary of these paragraphs, see despatch 18085, June 6, from Mexico, p. 1314; Resolution not printed.

5. That the practice in the Chicago area of placing in jail agricultural workers who have gone absent without leave from their contracts should be discontinued.

A plan has been placed in operation recently whereby a Mexican agricultural worker, who is awaiting return to Mexico from the Chicago district, may be paroled with the local Mexican consul if he is willing to accept the responsibility of producing the worker when wanted. The Consul has made arrangement, with the cooperation of the War Food Administration, to provide food and lodging for any agricultural workers paroled to him who do not have the necessary funds to provide for themselves. However, in any discussions on this point with the Mexican Government, it should be made clear that the desertion of contracts cannot be considered lightly by the interested agencies of this Government.

6. That upon the expiration of the contracts of the Mexican workers now in the United States, their return be effected at a rate not greater than that of their departure for the United States, according to the monthly average.

Two provisions of the international agreements have a special bearing upon this question, the section regarding numbers of workers and the next to the last of the general considerations. They read as follows:

"As it is impossible to determine at this time the number of workers who may be needed in the United States for agricultural (or nonagricultural) labor employment, the employer shall advise the Mexican Government from time to time as to the number needed. The Government of Mexico shall determine in each case the number of workers who may leave the country without detriment to its national economy."

"Either Government shall have the right to renounce this understanding, giving appropriate notification to the other Government 90 days in advance." [29]

It is the opinion of this Government that these provisions contemplate and provide for the orderly movement of workers from and to Mexico. Furthermore, the method of issuing individual contracts to workers, generally for a period of six months, insures the distribution of the return of workers to Mexico over a period of six months from the date when recruiting may be suspended by action of either Government. The letters under reference from the War Food Administration and the War Manpower Commission both express the opinion that when recruiting ceases workers will probably return to Mexico at no greater rate than approximately 8,000 a month under the agricultural worker program and 7,000 a month under the nonagricultural worker program. It is probable that the cessation of activities under the two agreements will not coincide because of varying labor conditions in the United States. It may develop that the railroad workers will be needed for a longer period of time than the agricultural workers, or vice versa, and for that reason either of the agreements

[29] See Agreements of April 26 and April 29, 1943, cited in footnotes 60 and 65, pp. 1290 and 1292. The wording of paragraph 1 differs slightly from that of the April 29 agreement.

may be continued in effect beyond the life of the other, and the return of workers to Mexico would consequently be spread over a longer period of time. It may also be pointed out to the Mexican Government that capitulation of the enemy in either or both theaters of operation will probably not mean the immediate return to civilian life of the armed forces of the United States, and that Mexican workers will probably be needed until demobilization has provided domestic workers to the industries now using Mexican workers under the agreements.

It must also be taken into consideration that no authority exists either under the agreements or under the laws of the United States which would permit the compulsory extension of contracts by the employers or by Government agencies, or that would make it obligatory upon the workers to accept such an extension.

The Department concurs in the answers set forth above, and you are authorized, in your discretion, to approach the Mexican Government with a view to reaching an understanding in regard to the six questions raised by the Mexican Government.

Very truly yours, For the Secretary of State:
A. A. Berle, Jr.

811.504 Mexico/10–2444

The Chargé in Mexico (Bursley) to the Secretary of State

[Extract]

No. 20963 México, D.F., October 24, 1944.
[Received October 28.]

Sir: I have the honor to refer to the Department's instruction No. 5914 of June 30, 1944 (File 811.504 Mexico/472)[31] authorizing the exchange of notes necessary to put into effect the agreement relating to the migration of Mexicans which was signed on June 2, 1944, at the close of the conference between representatives of the Department, the Department of Justice, and of the Mexican Government. The Department is also referred to the Embassy's Note No. 2838 of July 7, 1944, to the Ministry for Foreign Relations, a copy of which was supplied, acquainting the Mexican Government with our acceptance of the agreement.

The Department is informed that no reply to the Embassy's note has been received. Nevertheless, the Secretaría de Gobernación, the department of the Mexican Government which administers the immigration and emigration laws, has issued two circulars, just made available, dealing directly with subjects discussed during the conference.

A circular dated September 4, 1944,[32] addressed to the chiefs of the immigration service, contains directives for the issuance and use of

[31] Not printed.
[32] Circular No. 156 of the Secretaría de Gobernación.

Form 5–C, a document in lieu of a passport. This circular is in conformity with Article VI of the agreement [33] and restricts the issuance of the form to bona fide border residents by immigration authorities stationed at border towns. The circular also attempts to restrict to a period of not to exceed 72 hours the visits which holders of the form may make to the United States. This time limit is not provided in the agreement of June 2, 1944. Although introduced as a subject of consideration, it was found that the American and Mexican representatives and the regulations of the two governments were so clearly divided on the point that discussion was abandoned. This was mentioned on page 18 of the minutes of the sessions,[34] copies of which were supplied to Messrs. Travers [35] and MacLean, the Department's representatives.

It is being pointed out to consular officers in Mexico that any time limit which the Mexicans may desire to impose is a matter of their own enforcement and that, while not presuming to challenge their regulation, we possess no authority to inform holders of Form 5–C who receive our Non-Resident Alien's Border Identification Card that their visits are so limited in conformity with a Mexican provision.

. . . . . .

Respectfully yours, For the Chargé d'Affaires ad interim:
M. L. STAFFORD
American Consul General

811.504 Mexico/10–1444

The Secretary of State to the Chargé in Mexico (Bursley)

No. 6485 WASHINGTON, October 28, 1944.

The Secretary of State refers to the Department's instruction no. 6401 of October 14, 1944, regarding six questions raised by the Mexican Government in connection with the continued employment of Mexican nationals in the United States under the agreements of April 26 and 29, 1943. Question number 4 was the request of the Mexican Labor Office that railroad workers who are at present working only eight hours a day be employed for ten hours a day, and it was stated in the instruction under reference, at the suggestion of the War Manpower Commission, that plans were being completed for the railroads participating in the nonagricultural worker program to employ Mexican workers at least ten hours a day.

The Department has now received a further communication on this subject from the War Manpower Commission, dated October 14, 1944.

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[33] Agreement of June 2, not printed. For summary, see despatch 18085, June 6, from Mexico City, p. 1314.

[34] Not printed.

[35] Howard K. Travers, Chief of the Visa Division.

A copy thereof is attached hereto [36] for the information of the Officer in Charge. It will be noted that the two railroads which were mentioned in previous communications as giving Mexican national workers eight hours' employment a day, the New York Central and the Pennsylvania Railroad, have informed the War Manpower Commission of their inability to comply with the Mexican request. They state that their contract to employ Mexican workers provides for eight hours a day; that this number of hours is the standard in the industry; that additional hours of daily employment for Mexican workers, which must be paid at time and one-half rates, would constitute discrimination against domestic workers; and that seasonal conditions, which have a direct bearing upon the length of working days, are such at this time of year that the majority of maintenance-of-way workers cannot be used for more than eight hours a day. They point out that overtime is governed entirely by the demands of the particular location where the men are working and that in many localities Mexican nationals are presently employed nine and, in some instances, ten hours a day.

The Department is of the opinion that the practices outlined above are within the terms of the international agreement and therefore trusts that the Mexican Government will raise no further objection in regard to the hours of employment of these railroads.

The Officer in Charge is authorized, in his discretion, to inform the Mexican Government of this additional reply to question number 4.

811.504 Mexico/8–2144

The Secretary of State to the Chargé in Mexico (Bursley)

No. 6492 WASHINGTON, November 1, 1944.

SIR: Reference is made to the Embassy's despatch no. 19595 of August 21, 1944, in regard to memorandum no. 31108 of August 16, 1944 from the Mexican Foreign Office,[37] which contained a request regarding Mexican workers found to be ill of tuberculosis while in the United States. The note requested that instructions be given to the end that such workers would receive medical assistance in the United States.

Copies of the despatch under reference and the attached memorandum from the Mexican Foreign Office were forwarded to the War Food Administration and to the War Manpower Commission with a request that the Department be informed of the nature of the reply which each agency believed should be made to the Mexican Foreign Office. Copies of the replies received from these two agencies are enclosed for your information.[38]

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[36] Not printed.
[37] Neither printed.
[38] Dated September 7 and October 13, respectively, neither printed.

The replies indicate that the physical examinations given these workers at the time they are selected for employment are not infallible but do serve to reduce to a minimum the number of cases of tuberculosis. It is further indicated that every effort is made to conserve the health of these workers while in the United States, both for the welfare of the individual and because it is to the interest of the employer that these men be maintained in the best of health so that they can effectively perform the services for which they have been employed.

In the few cases of tuberculosis which have occurred, individuals have received medical care, including hospitalization for such a period as may be necessary to assure that they make their return to Mexico in comfort and without danger to their health. They are then returned to their homes across the border with the idea that a return home would be beneficial and contribute to recovery.

You are authorized, in your discretion, to reply to the Mexican note along the lines indicated above. Please furnish the Department, for the information of the War Food Administration and the War Manpower Commission, the nature of any communication you address to the Mexican Foreign Office on this subject.

Very truly yours, For the Secretary of State:
A. A. BERLE, JR.

811.504 Mexico/12–744

The Secretary of State to the Mexican Chargé (Colina)

The Secretary of State presents his compliments to the Chargé d'Affaires ad interim of Mexico and refers to his note no. 22449 of December 7, 1944,[39] in which, under instructions from his Government, he requested that the proper authorities of the United States be asked to return Mexican illegal entrants apprehended along the western part of the border through El Paso and Laredo, Texas. It was stated in the note that the majority of the workers being returned to Mexico through Mexicali and Tijuana, Lower California, the nearest Mexican ports of entry to the place of apprehension, were from other parts of Mexico and were upsetting the economy of Lower California.

The Secretary of State informs the Chargé d'Affaires that this request has been discussed with the interested agencies of this Government, who point out that the activities of the Immigration and Naturalization Service of this Government in returning illegal entrants, especially agricultural workers, were increased in conformance with paragraph 5 of the memorandum of discussions held in Mexico City from May 29 to June 2, 1944 between representatives of the two Governments, and that the paragraph in question was included in the

[39] Not printed.

memorandum at the request of the Mexican representatives. The Immigration and Naturalization Service has informed the Department that reports from its field offices in California indicate that the Mexican migration officials at Mexicali and Tijuana, apparently under instructions from their Government, have been refusing to receive illegal entrants returned by the Immigration Service since December 6. It is considered that such measures or any modification of the arrangement referred to above should be preceded by a supplementary understanding between the two Governments, and until such an understanding is reached it is considered highly desirable that the status quo be maintained in regard to the return of illegal entrants through the nearest Mexican port of entry so that there may be no interruption in mutual measures of border control.

The Secretary of State, in regard to the request that these illegal entrants be returned through El Paso or Laredo, Texas, refers to a statement which the Ambassador of the United States of America in Mexico was requested to make to the Mexican Government several months ago. The Ambassador was authorized to point out that if Mexicali and Tijuana were to be excluded in favor of the ports of El Paso and Laredo, Texas, such a practice would not only operate to increase the period of detention of the aliens involved, but would also greatly overtax detention facilities in the Los Angeles District. A further complication of first importance would be the question of transportation because all available railroad facilities are already greatly overtaxed by traffic of direct importance to the war effort.

The appropriate agencies of this Government, in considering the Chargé's note under reference, have recognized to the fullest extent the problem which confronts the Mexican Government in regard to these workers and have agreed that an emergency and temporary solution of the problem might be the recruiting of these workers under the agreement of April 26, 1943 for the temporary migration of Mexican agricultural workers to the United States, for periods of time acceptable to both Governments. If this suggestion meets with the approval of the Mexican Government, the War Food Administration is prepared to extend individual work contracts under the agreement to workers meeting the standards of the program at a mutually acceptable center in Lower California. Furthermore, at the request of the Mexican Government arrangements could be made so that workers so contracted, whose homes are elsewhere in Mexico, could be delivered to Mexico through the port of El Paso, Texas, or other port in use for the repatriation of agricultural workers, upon expiration of their contracts. It should be understood, however, that this arrangement is considered a temporary expedient and is contingent upon the uninterrupted receipt by Mexico of returned illegal en-

trants through the nearest port of entry unless other mutually satisfactory arrangements are agreed upon through further consideration of the question.

WASHINGTON, December 9, 1944.

811.504 Mexico/12–744

Memorandum of Telephone Conversation, by Mr. William G. MacLean of the Division of Mexican Affairs

[WASHINGTON,] December 11, 1944.

Mr. O'Donoghue telephoned at 4 p. m. on December 9 to report that he had been called to the Mexican Foreign Office at noon in regard to the Mexican request that Mexican illegal entrants into the United States picked up by our Immigration and Naturalization Service along the western part of the border be returned through Texas ports rather than through Mexicali and Tijuana. (See memorandum of telephone conversation of December 7, 1944 [41] and an exchange of notes of the same date with the Mexican Embassy in Washington [42]).

The Mexican Foreign Office had been informed of this Government's suggestion that arrangements could be made to recruit properly qualified agricultural workers in Lower California to take care of the problem set forth in the Mexican note under reference. Mr. O'Donoghue said the Mexican Government had informed him that it appreciated the offer but could not accept it because the contracting of workers near the border would immediately result in a wide-spread movement of workers to the border in the hopes of being recruited and that this movement would cause many additional problems.

Mr. O'Donoghue said that the Mexican Foreign Office asked this Government to deliver these illegal entrants in Nogales if it was not possible to deliver them to Texas ports. He said that residents of Lower California could be returned there but that all others, from the mainland of Mexico, should be delivered at Nogales. Mr. O'Donoghue said that the Mexican Government considered this a very urgent problem and would like to have a reply by Monday. I said that I would take up the matter with the Acting Commissioner of the Immigration and Naturalization Service [43] and get as quick a reply as possible and that I hoped to be able to communicate that reply to Mr. O'Donoghue on December 11.

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[41] Not printed.

[42] Reference is apparently to note No. 22449 of December 7, not printed, and the Department's reply dated December 9, *supra*.

[43] Joseph Savoretti.

811.504 Mexico/12–1144

The Secretary of State to the Ambassador in Mexico (Messersmith)

No. 6696 WASHINGTON, December 11, 1944.

SIR: Reference is made to the Department's instruction no. 6524 of November 6, 1944 [44] and to previous communications regarding the question of securing 25,000 forge, foundry, tire, and other heavy industry workers in Mexico. In the instruction under reference it was stated that the Embassy was authorized to inform the Mexican Government that no recruiting could be done for the time being under the approval given by the Mexican Government, but that it was hoped that these workers would be made available at a later date if plans for their use were satisfactorily concluded.

The War Manpower Commission has taken up this question informally with the Department on several occasions during the past month and has stated that it was studying requests for Mexican workers by the industries listed, but that it was encountering difficulties in reaching agreement with prospective employers because it had no approved contract setting forth the terms under which Mexican workers could be employed. Under date of November 30, 1944, the Commission has submitted a draft contract of employment and transportation,[44] which it believes appropriate for employment in the heavy industries involved, and the Commission requests that copies thereof be forwarded to the Embassy for presentation to representatives of the Mexican Government. In submitting this contract, the Commission states, "We believe that the contract is within the framework of the Agreement of April 29, 1943 and also in compliance with the requirements of Public Law 373, 78th Congress.[45] In any instance that this contract is at variance with the Agreement of April 29, 1943 and any interpretations thereof, the provisions and terms of the contract must be used as the basis for any discussions with interested parties."

It will be noted that this contract is trilateral and that it is designed to replace both the individual work agreement and the contract between the employer and the War Manpower Commission, which are used in the case of railroad workers under the agreement of April 29, 1943. The Department is of the opinion that the use of two contracts would be simpler but perceives no basic objection to the trilateral form submitted. The Department has noted that one condition in which this contract is at variance with the terms of the agreement of April 29, 1943 is that regarding the termination of employment, Section V–A, which would permit the War Manpower Commission to terminate the employment of a worker at any time for circumstances arising out of

[44] Not printed.
[45] Labor-Federal Security Appropriation Act, June 28, 1944, 58 Stat. 547.

the course of the war or because domestic labor has become and will continue to be available for replacement. The War Manpower Commission has been informally advised that while there is no objection to proposing this condition to the Mexican Government, it is the opinion of the Department that the Mexican Government probably will not find it acceptable.

You are requested, in your discretion, to discuss this contract informally with the appropriate officials of the Mexican Government with a view to determining whether it would be acceptable to their Government. Any counterproposal should be submitted to the Department for the information and consideration of the War Manpower Commission. It is considered desirable for the Mexico City representative of the War Manpower Commission to participate in any discussions held on the subject.

The Department has of course reminded the War Manpower Commission that these workers may no longer be available since this Government was not able to give a definite reply to the Mexican Government in regard to the time of their recruiting when that Government in the month of October requested a categorical statement on the subject. The War Manpower Commission recognizes this possibility, but hopes that every effort will be made to make workers available although it is now clear, according to representatives of the Commission, that the number needed will fall far short of 25,000. It is the Department's understanding that fairly firm orders exist for approximately 1,000 workers at this time. The demand is expected to be larger if the proposed contract can be made available for negotiation between the War Manpower Commission and prospective employers.

Very truly yours, For the Secretary of State:
DEAN ACHESON

811.504 Mexico/12–744

Memorandum of Telephone Conversation, by Mr. William G. MacLean of the Division of Mexican Affairs

[WASHINGTON,] December 12, 1944.

Mr. O'Donoghue said that he had immediately informed the Mexicans that this Government would make arrangements for returning illegal entrants, apprehended along the western part of the border, through the port of Nogales. He said that the Mexican labor officials appreciated this action, which their Government had requested, and that they would telegraph immediate instructions to Tijuana and Mexicali, as requested by this Government, that pending the completion of those arrangements illegal entrants were to be received at Tijuana and Mexicali. He said, however, that this had not been

confirmed in writing and that he expected confirmatory action the next day.

711.1216M/12–2244 : Telegram

The Secretary of State to the Chargé in Mexico (Bursley)

WASHINGTON, December 22, 1944—8 p. m.

2225. Immigration Commissioner informed by Los Angeles office, as telephoned to O'Donoghue,[46] that Mexican immigration office at Tijuana has been ordered to continue objectionable orders to refuse to accept Mexican illegal entrants returned there by Immigration Service. Commissioner stresses that agreement for Nogales return was conditioned on ad interim receipt of all deportees delivered at Mexicali and Tijuana. Department believes failure of Mexicans to cooperate is very unfortunate for obvious reasons as well as heavy costs to Immigration Service in carrying out Nogales project. Since many individuals involved reached the United States by Santa Ana–Peñasco route, Mexico might relieve ad interim pressure in Baja California by same route, which, moreover, would be a strong deterrent to the northbound movement.

Prompt action important in view of the serious Immigration Service problem involved.

STETTINIUS

DISCUSSIONS BETWEEN THE UNITED STATES AND MEXICO CONCERNING OPERATING PROBLEMS OF THE PETROLEUM INDUSTRY[47]

812.6363/7–144

The Ambassador in Mexico (Messersmith) to the Secretary of State

MÉXICO, D.F., July 1, 1944.
[Received July 3.]

DEAR MR. SECRETARY: Time does not permit me to write at any length, in view of the fact that this letter must go off by Air Mail this morning so that it may reach you well before Dr. Padilla's[48] arrival on the evening of July 5 or the morning of July 6. While Dr. Padilla is going primarily on our invitation to discuss post-war problems, I am sure that the opportunity will present itself to discuss certain questions of major importance in Mexican-American relationships, and I think it would be very desirable if the President and you, particularly you, could have an opportunity to say something to him about petroleum policy.

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[46] Memorandum of telephone conversation between Mr. MacLean and Mr. O'Donoghue, December 21, 1944, not printed.

[47] Continued from *Foreign Relations*, 1943, vol. VI, pp. 449–475.

[48] Ezequiel Padilla, Mexican Minister for Foreign Affairs.

Under the best circumstances, the possibility for conversations between the President and Mr. Padilla will be limited, but I hope that there may be at least two conversations of sufficient length between the President and Dr. Padilla during his stay there, as anything less I think would leave Dr. Padilla with a sense of deception concerning his trip, and I know how valuable these conversations can be in securing for us the support of Mexico in these important world problems.

I hope that you will have, in spite of your many occupations and preoccupations, opportunity to see Dr. Padilla as much as possible during his stay, for I know how much he is looking forward to these conversations with you, and how useful they can be. He has the deepest respect and admiration for you and for our policies, and through this visit I think we can consolidate their position of collaboration with us.

If you have an opportunity to mention oil, which I hope you will, at least briefly, I think it would be well to emphasize the fact that we, under no circumstances, will make a loan to the Mexican Government or to Petróleos Mexicanos [49] for the exploitation or development of Mexico's oil resources. The President [50] and Dr. Padilla here thoroughly understand this, but this idea must be established as strongly as possible so that the President and Dr. Padilla here, and the other sound members of the Government can combat these dilatory and negative practises of General Cárdenas,[51] who is the one principal element now standing in the way of the development of a reasonable and constructive oil policy by Mexico. The President and Dr. Padilla are prepared to act along a constructive line under which American Companies can come in here under contracts with Petróleos Mexicanos on a sound and equitable basis. In desperation, and as a last measure, Cárdenas has raised this issue, that we are prepared to loan money to the Mexican Government, etc., for this purpose. Although I have conveyed the message here to the contrary, anything which you can say in Washington to Dr. Padilla confirming this position will be extremely helpful to him and to the President.

I do not wish to burden you with reading, but in order to not prolong this letter, I am appending hereto my Despatch No. 18546, of July 1,[52] which I hope you will read, for I think it will be helpful in connection with the conversations which you will have with Dr. Pa-

[49] Government-controlled oil industry.
[50] Manuel Avila Camacho.
[51] Former President of Mexico, 1934–1940, whose proposed United States Government loan for oil exploitation would serve the purpose of strengthening the operations of Petróleos Mexicanos, thereby making unnecessary the return of private enterprise.
[52] Not printed.

dilla. I would call your especial attention to the last paragraphs of the Despatch.[53]

Believe me, with all good wishes,

Cordially and faithfully yours, [File copy not signed]

812.51/7–1244

Memorandum of Conversation, by the Secretary of State

[WASHINGTON,] July 12, 1944.

Dr. Padilla, the Mexican Minister of Foreign Affairs, called at his request. He said that he had talked with Mr. Ickes[54] about a Government loan to the Mexican Government for the development of oil in that country, and that he was favorable. The Minister said that he preferred to carry out further steps and undertakings in this connection with the State Department. I said I should offer this explanation in the light of my remarks to the Minister during his call on July 11 in regard to a loan through Mr. Ickes, and that was that there were a number of Government departments which have jurisdiction in part over loans by this Government to other governments or important private organizations abroad; that, for example, numerous governments for some time have been seeking loans from this Government, offering as collateral gilt-edged securities here in this country for reconstruction or post-war purposes and proposing to invest most of it in this country in machinery and other post-war needs; that this Government so far as I last heard had not adopted a policy on this question, one reason being that this Government had a debt of perhaps $150,000,000,000 and when there were vast reservoirs of private capital available the question of whether this Government should launch a policy of Government loans to other governments promiscuously for post-war purposes was a more or less serious question to be decided upon. I said that the Treasury Department had the chief function in making such loans, the Reconstruction Finance Corporation and the Department of Commerce had certain functions, and the State Department had functions to the extent that foreign policy is involved. I said I frankly did not know just what Mr. Ickes' authority was. The Minister replied that he could fully understand this situation, but that the President had spoken to him favorably about desiring this Government to make such a loan to Mexico for oil development, and that he had authorized Mr. Ickes to take the necessary steps. I said I had not been advised as to

[53] In the last paragraphs of despatch No. 18,546, the Ambassador emphasized the need for assuring Dr. Padilla that the exploitation of Mexico's oil resources must be accomplished "in a sound way" and with no thought of a United States Government loan for that purpose (812.6363/7–144).

[54] Harold L. Ickes, Secretary of the Interior.

this latest move on the part of the President, nor did I know whether the Treasury Department or the Reconstruction Finance Corporation knew about the matter. I said that I would be only too glad to clear up this whole matter by conferring with the appropriate parties at as early a date as possible and communicate with him through Ambassador Messersmith.

The Minister said he could not begin to express his appreciation of the consideration shown him on this trip. We agreed that we would watch every opportunity to improve relations between our countries by adopting new policies, new methods and new undertakings to every practical extent, together with constant planning with reference to the nations of the entire hemisphere and our relations and associations.

C[ORDELL] H[ULL]

812.6363/7-1344

Memorandum by the Director of the Office of American Republic Affairs (Duggan) to the Secretary of State

[WASHINGTON,] July 13, 1944.

THE SECRETARY: 1. Mexico expropriated the principal properties of foreign companies in Mexico in March 1938.[55] By an agreement of November 1941 [56] a joint commission was established to determine the value of the American properties. This commission rendered its report in April 1942,[57] and on the basis of this report the two Governments concluded a further agreement in September 1943 [58] finally settling the matter. The major American interests concerned have now accepted the amounts awarded—one company, Seaboard,[59] having so far declined to accept, and one other company, Sabalo,[60] having so far taken no action.

2. Until the expropriation issue had been settled the Mexican Government was unwilling to discuss a proposal for new arrangements under which American companies could participate in the development of Mexico's petroleum resources. Almost a year prior to the final settlement with Mexico we began to work on the outline of such

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[55] For correspondence concerning this expropriation, see *Foreign Relations*, 1938, vol. v, pp. 720 ff.

[56] For text of the agreement concerning expropriation of petroleum properties, see Department of State Executive Agreement Series No. 234, or 55 Stat. (pt. 2) 1554. For correspondence concerning this agreement, see *Foreign Relations*, 1941, vol. VII, pp. 371 ff.

[57] For text of joint report submitted on April 17, 1942, to President Roosevelt and President Avila Camacho, see Department of State *Bulletin*, April 18, 1942, pp. 351–353.

[58] Agreement effected by exchange of notes September 25 and 29, 1943, Department of State Executive Agreement Series No. 419, or 58 Stat. (pt. 2) 1408.

[59] Company composed of the International Petroleum Company and the Compañía International de Petróleo y Oleo Ductos, S.A.

[60] Company composed of the Sabalo Transportation Company, the Compañía Petrolera "Claripa" S.A., and the Compañía Petrolera Cacalilao S.A.

a proposal to be made to Mexico, and a proposal was actually delivered in 1943,[61] several months before the announcement of the final expropriation settlement in September 1943.

3. At the suggestion of President Avila Camacho conversations regarding this proposal have taken place between Ambassador Messersmith and Dr. Padilla, Minister of Foreign Affairs of Mexico. The President of Mexico did not want his Minister of Finance [62] to be a participant in the negotiations.

4. Our proposal to Mexico was based upon the following premises:

(*a*) Mexico could not again agree to give foreign petroleum companies concessions to the subsoil.

(*b*) The Mexican Government should receive a greater return from the Mexican petroleum industry than heretofore.

(*c*) Mexican operations since expropriation had been neither scientifically progressive nor economically profitable.

(*d*) The proposal advanced provided that the Mexican petroleum monopoly contract with American companies to undertake development and production activities over a long period, say thirty years. The companies would pay back their outlays out of oil produced and thereafter the companies and the government petroleum monopoly would share oil produced on some agreed-upon basis.

5. When Ambassador Messersmith was here in January of this year [63] he was very hopeful that the Mexican Government would accept this proposal. The President of Mexico had told him that in general it looked like a satisfactory procedure. Ambassador Messersmith informed President Roosevelt of the nature of our proposal. The President expressed unqualified approval of it. He specifically requested Ambassador Messersmith not to inform Secretary Ickes regarding it, although he did request Mr. Messersmith to convey to Mr. Ickes his thought that the two Governments should collaborate in the discovery of reserves of oil-bearing properties which should be held as war reserves in the joint interests of the two countries. Ambassador Messersmith saw Mr. Ickes and explained to him the President's proposition.

6. Unfortunately, when Ambassador Messersmith returned to Mexico, instead of being informed of the acceptance by the Mexican Government of the proposal advanced he was given a counterproposal. It was insinuated to him that it had not been possible to accept our proposition on account of the attitude of General Cárdenas, who favors development of Mexican petroleum resources through the Government monopoly without turning over to foreign interests any im-

[61] For correspondence concerning the development and presentation of this proposal, see *Foreign Relations*, 1943, vol. VI, pp. 457–459 and 469–470.

[62] Eduardo Suárez.

[63] January 13 to February 10.

portant responsibility. The Mexican Government proposal in essence was that the Mexican petroleum monopoly would provide the property and the companies, the financing, labor, and skill. The Mexican monopoly would be given legal personality under Mexican law and would issue bearer documents (not bonds or shares) representing a right to a determined percentage of the profits but no share of ownership nor evidence of creditorship. While this plan might not have required changes in the Mexican petroleum laws, it did not, in our opinion nor in the companies', provide an adequate instrument, particularly as it had an element of subterfuge.

7. At Ambassador Messersmith's suggestion Mr. Townsend of the Petroleum Division went to Mexico and helped Ambassador Messersmith to study the counterproposal. Ambassador Messersmith told Dr. Padilla the Mexican Government proposal seemed unacceptable and that we would prepare a new proposal. This new proposal was drafted and provided that, without any change in existing Mexican petroleum laws, American capital could contract directly with the Ministry of National Economy, on a basis of 51% operational control and profits to the Mexican Government and 49% to the companies, title to the subsoil remaining in Mexico, and the petroleum monopoly not directly participating. The general features of our basic premises as outlined in paragraph 4 above remain unchanged. This proposal was not entirely satisfactory to the companies and consequently its presentation to Dr. Padilla has been deferred pending further study and revision. It had become probable that some change in the petroleum laws might be necessary, and Ambassador Messersmith's discussions on this delicate point had reached a preliminary stage in which Dr. Padilla's attitude was encouraging.

8. At the request of President Avila Camacho, Dr. Padilla informed Ambassador Messersmith that the Mexican Government had been advised through responsible sources that the United States Government would be prepared to make a loan to the Mexican petroleum monopoly to enable it to carry on singlehandedly the entire job of petroleum development and operation. Dr. Padilla said that until Ambassador Messersmith could ascertain the accuracy of this report there could be no further discussions.

9. At a meeting of the Executive Committee on Foreign Economic Policy attended by Mr. Ralph Davies of the Department of the Interior there was unanimous agreement that the Mexican Government should be advised that this Government had no such credit operation before it and none under contemplation. Ambassador Messersmith was instructed in the premises,[64] and he so informed Dr. Padilla on

[64] Instruction 5894, June 27, 1944, not printed.

the eve of his departure.[65] A memorandum embodying this same information was sent to the President for his information.[66]

10. It will be seen, therefore, that on this very difficult and complicated situation the negotiations were moving forward with a fair prospect of agreement when the idea was interjected of a United States Government credit to finance the Mexican petroleum monopoly.

LAURENCE DUGGAN

812.6363/7–1544

The Director of the Office of American Republic Affairs (Duggan) to the Ambassador in Mexico (Messersmith)

WASHINGTON, July 15, 1944.

DEAR GEORGE: The only fly in the ointment that developed in connection with Padilla's visit has to do with the basic petroleum discussions. I have asked Charlie Rayner[67] to prepare a memorandum[68] that will chronicle this episode from beginning to today's developments since the end is not yet in sight.

Briefly, what happened is that the President, despite his instructions to you last winter and despite a memorandum[69] on the subject which we sent him just prior to Padilla's arrival, encouraged Padilla to believe that he favored development of Mexico's oil resources through government-to-government cooperation. The President himself suggested that Padilla see Ickes about details and Ickes told Padilla that the two governments could cooperate on the general proposition just as they had on the high-octane plant.[70]

We are now trying to get this back on the track. Ickes seems cooperative; in fact he recognizes the danger that the President's procedure has for the success of the forthcoming negotiations with the British. Moreover, Ickes says that he told Padilla that the proposal must come through the Department.

However, and very confidentially, the Secretary is worried that the President, even though he may now be straightened out, will forget and revert to his idea.

I am certain that Padilla went away very confused on this whole matter. I am sorry that I did not know about it until Wednesday afternoon when it was then too late to have a talk with Padilla.

Sincerely yours, LAURENCE DUGGAN

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[65] Dr. Padilla departed for Washington July 1, 1944.
[66] Memorandum dated July 4, 1944, not printed.
[67] Charles B. Rayner, Acting Chief of the Petroleum Division.
[68] Not found in Department files.
[69] Memorandum dated July 4, 1944, not printed.
[70] For correspondence on the high octane plant, see *Foreign Relations*, 1943, vol. VI, pp. 452 ff.

812.6363/7–1944

The Ambassador in Mexico (Messersmith) to the Director of the Office of American Republic Affairs (Duggan)

MÉXICO, D.F., July 19, 1944.

DEAR LARRY: I got your secret letter of July 15, with regard to the conversations which Dr. Padilla had with the President and with Secretary Ickes on petroleum policy, etc. yesterday afternoon late just about the time that Dr. Padilla was arriving. Padilla got off the train at Lecheria some 40 kilometers outside of Mexico City in order to avoid the correspondents, etc. and came into the City by car. I therefore did not see him yesterday. I will not see him today unless he sends for me as I know he will be with the president a good part of the day reporting on his trip.

I was naturally greatly disturbed when I received Joe McGurk's [71] telephone message on the morning of July 17, to the effect that I was not to say anything about petroleum to Padilla until I heard further from the Department in view of the fact that President Roosevelt had been encouraging to Dr. Padilla on the question of Government to Government collaboration in this development of Mexico's oil resources. Your letter of July 15, which reached me yesterday afternoon, did not decrease my concern and I confess I had a rather sleepless night thinking about this matter from various angles.

If we are to do anything in the oil picture in Mexico and if there is to be anything in the way of a decision by Mexico on major oil policy on sound grounds, and if there is to be any development of Mexico's oil resources, it will in my opinion, and in view of my two years' study of this matter here and of what I believe to be our situation at home, have to be on the basis of private initiative. The President of Mexico and Dr. Padilla really understand this as well as most of us at home do. I thought we had this matter well on the track again and were on the way to getting a resumption of the conversations on Dr. Padilla's return from Washington on a sound basis and could make rapid progress.

You will recall that in my letters to the Secretary prior to the visit of Dr. Padilla I mentioned the importance of emphasizing that a loan was out of the question, as I had just been authorized [72] to tell Dr. Padilla again, before he left for Washington.

I am absolutely convinced that in spite of the encouraging words which President Roosevelt gave to Dr. Padilla and of the encouragement which Secretary Ickes gave Dr. Padilla that such a loan is out of the question. Even though we might wish to do it, I think it would not prove feasible and quite impossible. To hold out any hopes, there-

[71] Joseph F. McGurk, Chief of the Division of Mexican Affairs.
[72] By instruction 5894 of June 27, 1944; not printed.

fore, that such a loan will be made is merely to delay any progress on this matter and to make it impossible for Mexico even to develop her own resources to meet her constantly increasing internal needs, not to speak of export or any collaboration with us in furnishing us or any of the other Americas or anyone else any oil.

I can appreciate the confusion in which Dr. Padilla must have been as a result of the apparent conversations which he has had on this matter. I know the confusion in which the President will be here and the dilemma in which it will place him with respect to General Cárdenas. This has very serious aspects internally here.

I know that President Roosevelt has always had in mind collaboration with Mexico in the development of a small area in Mexico for use in time of war. I was careful to mention this in my letter to the Secretary sometime ago [73] when I asked him to clear up this question of a loan which had been raised by General Cárdenas with the President here. I knew, of course, that President Roosevelt was in favor of Government to Government collaboration in such a limited field and I spoke about this to Dr. Padilla on my return from Washington in February but the idea did not seem to take very well at the time. The Mexicans know that Government to Government collaboration in this matter is not really the solution. I am not sure whether President Roosevelt who has so much on his mind these days may not have confused this limited idea with the broad question. President Roosevelt has so many things to think about that such a confusion may have taken place in his mind or he may not have made himself clear in his conversation with Dr. Padilla that he was thinking of Government to Government collaboration in only this limited field.

The idea that we could collaborate with Mexico on a Government to Government basis in the broad field of oil exploration and development, which of course the Mexicans would have in mind in such an arrangement, is quite out of the question for it would cause us more difficulties than we ever had in the oil question as a result of the difficulties between the private companies and the Mexican Government in the past. Any action on our part of this kind at home would create enormous problems for the administration and I don't believe it would be possible even from our internal point of view—even if it were in some respects feasible.

The thought of Secretary Ickes that we could have such collaboration in the broad field of development in Mexico as we have in connection with the high octane plant is not practical for the two operations are entirely different. In the case of the high octane plant it involves an industrial operation and not exploration and development which involves such great risks. Besides that I am not sure that Petróleos Mexicanos is playing fair with us in connection with the

[73] Presumably a letter dated May 22, 1944, not printed.

high octane plant arrangement. The Philips Petroleum Company is supposed to be doing the supervision work on the high octane plant which is quite all right and desirable that this be done by an American firm which is competent. I had my fears from the beginning that Philips Petroleum was interested in the supervision contract only as a means of getting into the drilling and exploration and development field through a back door. They assured me that it was not so. I saw the contracts and they were all right. I am now getting in the last days some information to the effect that Petróleos Mexicanos in its desperation may be using Philips Petroleum in a much broader way than was contemplated and that we had in mind. Some of the other companies already have wind of this and of course it can make a lot of trouble. If it should develop that through this high octane plant arrangement, which is a good one, we have opened the door for Phillips Petroleum or any single American Company to come in here through a back door when the front door and the back door are closed to other companies, we can come in for a lot of criticism and for a lot of trouble with the other big oil companies at home. Besides that, letting Philips in through the back door here is not going to really help in the Mexican situation.

I was so much concerned about all this that I confess I had one of my few sleepless nights last night since I came to Mexico and in view of the fact that Dr. Padilla will undoubtedly have to make some kind of statement to the press today after he has seen President Avila Camacho and may make at least some indirect reference to this matter I thought it best to call you on the phone this morning [74] as to whether I should not say a word to Dr. Padilla before he sees the President to not discuss with the President or anyone this question of oil until he has heard further from me and until I have heard further from the Department. Even if nothing is said by Dr. Padilla to the press with regard to petroleum, he will undoubtedly mention his Washington conversations to the President and the President may feel that he has to say something to General Cárdenas and this will place President Avila Camacho in a very unhappy situation vis-à-vis General Cárdenas and will not help the situation here in Mexico in any respect.

I am sending you herewith a memorandum of the conversation which I had with Joe McGurk [75] over the telephone this morning and as a result of the conversation I am, of course, refraining from saying anything to Dr. Padilla before he sees the President. We run the risk of some reference being made to this matter in a statement which Dr. Padilla may give to the press but McGurk agreed with me that

[74] The Ambassador was unable to contact Mr. Duggan and talked instead with Mr. McGurk.

[75] Not printed.

under the circumstances as they were in Washington I could say nothing here.

I am therefore refraining from saying anything to Dr. Padilla whatever on oil until I hear further from the Department.

After two years of hard work on this matter and getting to the point where a constructive solution seemed to be in the offing I need not tell you I am very much discouraged but I feel in some way or other the thing has got to be got on the track at home and here for any playing with the idea of Government to Government cooperation or of a loan or anything of that kind is only going to delay and confuse any constructive solution and make our task and the Mexicans' task the more difficult.

I know that you all have been very helpful in this matter and I appreciate it.

With all good wishes,

Cordially and faithfully yours, [File copy not signed]

812.6363/7-1944

Memorandum by President Roosevelt to the Secretary of State

WASHINGTON, July 19, 1944.

I think Messersmith and some of the people down the line in the State Department are thinking and talking at cross purposes on the Mexican oil policy.

They do not differentiate between oil to be consumed by the public and oil for government purposes.

I am not concerned with the first and I do not think the State Department should be either. As to relations between the Mexican Government and our American oil companies, there is no question of a U. S. Government loan. The whole matter should be handled between the Mexican Government and the American oil companies. It is undoubtedly true that the American oil companies still want to get back the title to their wells, but this is contrary to a very fundamental policy of the Mexican Government.

What I am concerned about is the other question—oil for the ultimate use of the armed forces of the United States—reserves to replace the old policy of naval oil reserves, which were inadequate, and went through the Harding Administration scandals.

The State Department should give every possible assistance by helping to develop for the United States a wholly new reserve. I spoke with Padilla about this and he seemed very favorable.

1. It is my thought that the United States, with very small expenditure, should aid the Mexican Government in exploring for new oil fields. I am certain that there is far more oil in Mexico than is now known. When a new and adequate dome is found it could be set aside

in toto by the Mexican Government for the purpose of aiding the defense of the Continent. Such a dome should not be drilled except for exploratory purposes, and the whole dome should thereupon be set aside. No oil should be taken out by private companies. No oil should be taken out by the Mexican Government—and oil should be taken out only by the U. S. Government in case of military necessity.

2. The amount of oil in such a dome can be roughly estimated and the United States could well pay an annual sum to the Mexican Government until the total paid represented the fair value of the oil.

3. If other domes were discovered in this exploration work, the cost of the American share of the exploration could well be paid back to the American Government for its share, either in cash or in oil.

F[RANKLIN] D. R[OOSEVELT]

812.6363/7–2444

The Ambassador in Mexico (Messersmith) to the Secretary of State

[Extracts]

MÉXICO, D.F., July 24, 1944.

DEAR MR. SECRETARY: I wish to refer to my secret letter of July 21,[76] in which I reported on a conversation which I had with Dr. Padilla last week in which he set forth to me in full his conversations with the President, with Secretary Ickes and yourself on petroleum. In view of the fact that I had been asked by the Department not to discuss petroleum with Dr. Padilla on his return until I had word from the Department of State, you will recall that I listened to what Dr. Padilla had to say and refrained from comment other than saying that I was awaiting some word from the Department concerning his activities in Washington before I could discuss petroleum. Dr. Padilla fully understood that I was not able to discuss this matter without hearing from you and I think he was as much embarrassed as I was. His objective, as he said, was to inform me fully as to what had happened in Washington while he was there and he did not expect me to make any comment.

. . . . . .

The point that I want to bring out is that I do not see where we are going from now. The President and Mr. Ickes have given the Mexican Government definitely to understand through Dr. Padilla that there is a possibility of the Mexican Government receiving a loan for oil exploration and development and that our Government is disposed to give such a loan. Such a loan would have to be in large amount for it would have to run into scores of millions of dollars and I think it would be useless to think in terms of less than one hundred millions of

[76] Not printed.

dollars to begin with and no one knows where we would end up once we started, so far as amount is concerned. The possibilities of repayment by the Mexican Government would be very obscure indeed in view of the nature of the venture.

. . . . . .

With all good wishes,

Cordially and faithfully yours, G. S. MESSERSMITH

812.6363/9–1144

The Ambassador in Mexico (Messersmith) to the Secretary of State

[Extracts]

No. 20,043 MÉXICO, D.F., September 11, 1944.

SIR: I have the honor to inform the Department that the Minister of Foreign Relations, Dr. Padilla, has handed me a Memorandum, dated September 6, 1944, of which a copy in the original Spanish is transmitted herewith (Enclosure No. 1 [77]), as well as a translation thereof (Enclosure No. 2). In handing this memorandum to me the Minister referred to the conversation which he had had with me on his return from Washington some time since. He said that during his stay in Washington, President Roosevelt had indicated that our Government would be prepared to give to the Mexican Government a loan for the development of Mexican oil resources. The Minister recalled to me that on his return he had brought this conversation with President Roosevelt and Secretary of Interior, Ickes, to my attention and he recalled to me that before leaving Washington he had fully informed Secretary Hull of these conversations.

. . . . . .

I have not had any instructions from the Department with regard to this matter since the return of Dr. Padilla from Washington and I have, therefore, been under the necessity of refraining from carrying on any conversations with regard to major oil policy with the Mexican Government in the meantime. It was my understanding from the character of the conversations which had taken place in Washington during Dr. Padilla's stay, and with particular reference to a loan, that the probabilities were that the initiative remained with us.

I was, therefore, somewhat surprised when Dr. Padilla handed this memorandum to me, which is a definite indication that the Mexican Government wishes to discuss the question of a loan.

I consider this matter as of such fundamental importance, not only so far as major oil policy is concerned, but so far as our relations with Mexico are concerned, that it will be necessary for me to discuss the

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[77] Spanish text not printed.

matter with you and with the President before I can be in a position to enter into any conversations with Dr. Padilla and the Mexican Government on this matter which involves so grave and important a decision of policy. I, therefore, informed Dr. Padilla this morning that I was transmitting a copy of the memorandum in question to the Department but that in view of the importance of the matter and being without any instructions, I could not discuss it but that I would discuss it with you during my planned trip to the United States on a holiday. The Minister said that he thoroughly understood and that he would understand not hearing from me about this matter until my return.

As you will recall, I am leaving here on September 25 for a brief holiday trip to the United States and it is my plan to be back here during the first days of November. I shall be in Washington October 2, 3 and 4, during which time I hope to have the opportunity of discussing this important matter with you and if you think desirable, with the President.

Dr. Padilla when he handed me this memorandum said that he had not made any reference in the memorandum to the question of setting up a certain part of Mexico's oil reserves to be used only in time of war. He said that the Mexican Government was favorably disposed to consider this matter but that he did not deem it desirable to include it in the memorandum. I could, however, say to you and to President Roosevelt, that the Mexican Government was prepared to favorably consider the idea of setting aside a part of her petroleum reserves for specific use in time of war and would also be prepared to enter into detailed conversations in this respect.

In view of the fact that I will have the opportunity of discussing this matter with you in the early days of October, I am not making any comment on this proposal of the Mexican Government in this despatch.

Respectfully yours, G. S. MESSERSMITH

[Enclosure—Translation]

The Mexican Foreign Office to the American Embassy

During the course of an interview which Licenciado Ezequiel Padilla, the Minister of Foreign Relations of the Government of Mexico, had with his Excellency President Franklin Roosevelt, during the recent visit which the former made to the City of Washington, there was clearly brought out the timeliness and the advisability that Mexico explore her petroleum wealth and plan the means of exploiting it in the most suitable way for Mexican interests and for the defense of the Western Hemisphere.

It was agreed that petroleum is a combustible which must be con-

sidered as one of the products of greatest strategic value for the defense of the Americas.

For this reason, his Excellency President Roosevelt and the Minister of Foreign Relations of Mexico, the latter in pursuance of instructions which he had received from President Manuel Avila Camacho, came to the conclusion that there must be secured a full collaboration of North American banking institutions to carry out this exploration and exploitation on the conditions which are set forth in summary form below.

His Excellency President Roosevelt suggested to Licenciado Padilla the advisability of speaking with his Excellency Harold Ickes, the Secretary of the Interior. The interview was held with the knowledge of his Excellency Cordell Hull, the Secretary of State, who was kept informed of these conversations in all their details.

In order that the Department of State of the Government of the United States of America may officially consider the conditions under which the Government of Mexico will accept the collaboration of North American capital in the development of the petroleum industry, the Minister of Foreign Relations permits himself to present the following proposals:

First—The program for the operations intended to develop the Mexican petroleum industry will continue to be carried out, as up to the present time, by the Government of Mexico through the proper agencies; the Government of Mexico will also determine the rate at which such exploration and development should be carried forward.

Second—Upon request of the Government of Mexico, a North American banking institution, which might be the Export-Import Bank, will advance—in installments—to Petróleos Mexicanos a considerable long term cash loan when the resources of the Government of Mexico are insufficient.

Third—This loan will be interest bearing, which would be moderate and regulated in the line of the object for which the loan is intended.

Fourth—After meeting domestic requirements of Mexico, Petróleos Mexicanos will agree to cover the amount of the loan, with the available surpluses of crude petroleum, and preferentially in derivatives of petroleum in the proportion which will be agreed upon. In due course there would be determined the form of estimating the domestic requirements of the country with the objective of defining correlatively the surpluses which can be earmarked for exportation. In the same way would be fixed the norms for the determination of the price of the products which are to be delivered.

Fifth—The interest would be paid on their respective dates of falling due.

Sixth—Petróleos Mexicanos, in accord with the banking institution under reference, if the banking institution so desires, will engage the

services of technicians and specialists in the different branches of petroleum exploration and exploitation. Petróleos Mexicanos will study with pleasure any suggestion in this sense which the above-mentioned banking institution desires to make.

Seventh—In connection with the representations which Petróleos Mexicanos makes to the proper North American authorities to acquire machinery and the equipment necessary for carrying out the project herein described in general terms, it will gratefully receive any co-operation which the banking institution may extend to it in this sense.

Eighth—Should the points which this memorandum contains be approved, as a base of discussions by the Government of the United States, conversations can be held in this capital with the object of duly implementing it.

MEXICO, September 6, 1944.

812.6363/10–244

Memorandum of Conversation, by the Ambassador to Mexico (Messersmith), Temporarily in Washington

[WASHINGTON,] October 2, 1944.

Participants: Mr. Charles Rayner, AP,[78]
Mr. Joseph McGurk, Acting Deputy Director, ARA,[79]
Mr. George S. Messersmith, Ambassador to Mexico.

On my arrival in Washington from Mexico City on October 1, I had a conversation with Mr. McGurk and Mr. Rayner with regard to the present status of the oil negotiations with Mexico. Mr. McGurk brought to my attention the President's memorandum of July 19, 1944 for Secretary Hull on this matter.

I stated that there were various points in the President's memorandum which were not clear to me. I took it for granted that the President, through his memorandum, did not mean to indicate that our Government and the Department of State were not interested in the question of whether American oil companies would be able to enter into appropriate arrangements with the Mexican Government or Pemex [80] for the exploration and exploitation of a portion of Mexico's oil resources. I said that I took it for granted that our Government had to have the same interest in the economic aspects of the oil problem in Mexico as we had in other economic problems affecting that republic. No arrangements could be entered into with the Mexican Government or with Pemex by the American oil companies except on the basis of preliminary conversations between the two gov-

[78] Office of the Petroleum Adviser.
[79] Office of American Republic Affairs.
[80] Petróleos Mexicanos.

ernments. This did not involve any direct interest by our Government in the operations of the American companies but such an interest on our part in paving the way was essential if the American companies were to enter the Mexican field without creating further difficulty between the two governments. I said that anyone in the United States or in Mexico familiar with the oil problem realized that the only way in which Mexico's oil resources could be exploited to the advantage of Mexico and of this hemisphere, both for commercial and defense purposes, would be through the intervention of American or other foreign companies operating on a sound basis through arrangements with the Mexican Government.

In this connection I referred to the President's statement in his memorandum that the American oil companies undoubtedly still wished to get back the title to their wells in Mexico, but that this is contrary to a very fundamental policy of the Mexican Government. I observed in this connection that there is no indication that the American oil companies are trying to get back the title to their wells. They have accepted the settlement of the expropriation under the exchange of notes and the companies realize that any arrangements which they entered into with Mexico or with Pemex would not involve their getting any concessions or any control of wells but merely be an operating contract with the Mexican Government or Pemex on an equitable basis.

I set forth certain considerations which I thought we had to bear in mind in connection with the Mexican oil problem and after a full discussion thereof I stated that in the conversation with Secretary Hull on this subject I would set forth the following ideas:

1. Our Government and the Department of State had a primary responsibility for and interest in aiding the private American oil companies in entering into reasonable and equitable arrangements with the Mexican Government and/or with Pemex under which they would be able to explore and exploit certain areas which might be designated by the Mexican Government. Our carrying on such conversations with the Mexican Government was necessary if any real development of the Mexican oil resources is to take place. The conversations, therefore, which I have been carrying forward with the President of Mexico and with the Foreign Minister of Mexico should continue on the same basis as heretofore—that is endeavor to find a way under which the private American companies can enter into contracts with the Mexican Government or Pemex on a sound, equitable basis.

2. I said that so far as military reserves are concerned I had discussed this matter with the President of Mexico and with the Foreign Minister, Dr. Padilla, after my return to Mexico in February of this year and after conversations with President Roosevelt and Secretary Ickes and Secretary Hull. The Mexican Government was prepared to consider this matter of setting up a certain area for exploration and development as a reserve. I said, however, that the President's thought that no oil should be taken out by the Mexican Government was not, in my opinion, practicable because it would not, under any circumstances, be agreed to by the Mexican Government. Any dis-

cussion with the Mexican Government with regard to a reserve for military purposes would have to be on the basis of a joint interest. I expressed the opinion that in case an arrangement can be made with the Mexican Government with such a military reserve that our Government would be justified in making appropriate advances to the Mexican Government for exploration and development of the reserves for military purposes. Mr. Rayner brought out some important considerations in connection with the development of such reserves, pointing out that it was no simple matter and would involve very carefully worked out understandings and agreements with the Mexican Government.

3. I advanced the thought that it was impracticable and undesirable for us to contemplate a loan with the Mexican Government or to Pemex for development of their resources on a commercial basis. I said that Dr. Padilla, the Foreign Minister of Mexico, had gathered the impression from President Roosevelt and Secretary Ickes during Dr. Padilla's recent visit to the United States that our Government would be prepared to make a loan to Pemex for this particular purpose. I expressed the opinion that the President's memorandum of July 19 under reference showed that the President did not have in mind a loan by our Government to the Mexican Government or to Pemex for ordinary commercial development but only for this special military reserve. I expressed the opinion that a loan to the Mexican Government was impracticable for the following reasons:

(*a*) It would create a precedent which we could not carry through, for if we made such a loan to Mexico for oil development we would be faced by similar requests by other South American countries as well as by certain European countries.

(*b*) It would be impracticable for us to lend our Government's money for such a risky venture as an oil development when we did not do the same thing at home. The risks involved in such a loan and the amounts of the loan involved were too great. I said that the Mexican Government was thinking in terms of a considerable loan of perhaps a hundred million dollars at a very low rate of interest.

(*c*) I said that such a loan by our Government in my opinion, would be impracticable because of its political repercussions within our own country.

(*d*) I expressed the opinion that it would be disastrous to lend money to the Mexican Government for the ordinary oil exploration and development for it would be expended by Pemex, the administration of which was notoriously and admittedly inefficient and in many respects dishonest.

(*e*) I said that even if such a loan were practicable it would be the worst service which we could render to Mexico and ourselves for the money would be lost or wasted and Mexico's internal consumption needs which were increasing would not be met nor would there be any surplus for us for commercial use or for hemisphere defense.

4. I said that the worst service which we could render to the Mexican Government was to let them rest under the impression that they could get a loan from our Government for ordinary oil exploration and development. The President and the Foreign Minister and most

of the responsible officers of the Mexican Government realize that such a loan would be found in the end to be impracticable and not be carried through. I said that until the thought of a loan was completely eliminated from the discussion, no progress could be made by Mexico in solving her own oil problem. The President and the Foreign Minister and high officials of the Mexican Government had been prepared to go ahead on the basis of having American companies enter into sound and equitable agreements with Pemex which did not involve concessions or ownerships of the subsoil or even of the wells by the American companies but guaranteed to them operating privileges under carefully worked out agreements under which the Mexican Government would get an equitable return through the operations of the companies. I said that the American and foreign companies were reconciled to the idea of not being able to enter into internal distribution in Mexico and perhaps not even of refining but merely of exporting such portions of the oil which they produced under their contracts with Pemex which portions the Mexican Government would declare surplus. I felt, therefore, that the only help and safe thing which we could say to the Mexican Government was that our Government could, under no circumstances, make a loan to the Mexican Government or to Pemex for ordinary commercial exploration and development and any loan would have to be confined to the special military reserve which might be worked out between the two governments.

Mr. Rayner and Mr. McGurk were in agreement with the foregoing thoughts and conclusions. I said that it was my intention to discuss the matter with the Secretary in the foregoing sense.

I later saw Secretary Hull today and had presented this matter to him and gave him the substance fully of the four points covered in this memorandum. The Secretary expressed himself as in agreement with these conclusions in which I informed him Mr. Rayner and Mr. McGurk had concurred.

I told the Secretary that I intended to discuss this matter with the President who had indicated he would see me on my return to Washington about two weeks hence. I asked the Secretary whether I could take up the matter with him on the basis of the four points in this memorandum and the Secretary expressed the hope that I would do so as he was in complete accord with this statement of the Department's position.

After the conversation with the Secretary, I had a further conversation with Mr. McGurk and Mr. Rayner, giving them the substance of my conversation with the Secretary.

It was agreed that on my return to Washington, towards the end of October, I would take up this matter with the President and endeavor to secure his approval of proceeding further on the basis of the four points in this memorandum, in my further conversations with the Mexican Government—particularly emphasizing that a loan such as that which the Mexican Government has requested for Pemex for ordinary exploration and development is not possible.

G. S. M[ESSERSMITH]

412.11 (Oil)/10–944 : Airgram

The Secretary of State to the Chargé in Mexico (Bursley)

WASHINGTON, October 9, 1944—3 : 20 p. m.

A–2411. Representatives of American companies, whose claims arising out of expropriation of petroleum properties were settled by the agreement concluded September 29, 1943, continue to press for copies of the agreement, for use in connection with various matters, involving, for example, tax liability, liquidation of stockholders' interests, dissolution of corporate entities, etc.

Please ascertain whether Mexican Government agrees that copies may now be furnished for purposes indicated, particularly in view of fact that agreement has recently been ratified by Mexican Senate.[81]

HULL

812.6363/12–744

The Ambassador in Mexico (Messersmith) to the Secretary of State

No. 21905 MÉXICO, D.F., December 7, 1944.
[Received December 12.]

SIR: I have the honor to refer to the previous reports from this Embassy regarding the expropriation of petroleum enterprises in Mexico, and to transmit herewith the Spanish text and a full translation[82] of a decree dated December 1, 1944, as published in the *Diario Oficial* of December 2, 1944.

This decree establishes that Petróleos Mexicanos, the Government owned and managed petroleum monopoly in Mexico, shall, as originally envisaged, ultimately pay the indemnities occasioned by the expropriation of petroleum enterprises, but recognizes the inability of the company to make payments except on an installment basis, the Federal Treasury meanwhile advancing the funds necessary for this purpose.

Respectfully yours, For the Ambassador:
DAVID THOMASSON
Second Secretary of Embassy

812.6363/12–1844

Memorandum by the Secretary of State to President Roosevelt

[WASHINGTON,] December 18, 1944.

I understand Ambassador Messersmith is seeing you tomorrow for the purpose of discussing with you, among other matters, the Mexican oil situation.

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[81] Ratification effected by Decree of October 6, 1944, printed in *Diario Oficial*, November 27, 1944.

[82] Not printed.

I wanted you to know that we have given careful consideration to the oil situation in Mexico and that the point of view that Ambassador Messersmith will present to you represents the considered judgment of this Department.

E. R. STETTINIUS, JR.

812.6363/12–1944

Memorandum of Conversation, by the Ambassador to Mexico (Messersmith), Temporarily in Washington

[WASHINGTON,] December 19, 1944.

During a long conversation with the President today I had the opportunity of discussing Mexican oil policy. After the first preliminaries of the conversation the President himself raised the question of oil policy by asking me to give him the status of the matter.

I said that the question of oil policy with respect to Mexico was the principal objective of my seeking this conversation with him. I said that I had been working on this matter with the Mexican officials on specific directives from him and from the Department of State, which directives I had faithfully followed. He knew from our various conversations on the matter as to the progress which had been made. I said that on Dr. Padilla's return to Mexico City, after his visit here some six months ago to discuss postwar problems, he had informed me that during a conversation with him (President Roosevelt) he had informed Dr. Padilla that the United States was prepared to make a considerable loan to Mexico for oil exploration and development. I said to the President that I had indicated to Dr. Padilla that I thought there must have been a misunderstanding as I felt sure the President had not had in mind any loan for ordinary oil exploration and development but that President Roosevelt had had in mind our interest in developing an oil reserve in Mexico by the two Governments through common action for use in time of war or for continental defense. I said that I had told Dr. Padilla that I was sure that so far as any loan was concerned, or any advance of funds, President Roosevelt had had in mind this reserve for military purposes for the use of both countries.

I told President Roosevelt that I, of course, had made it clear to Dr. Padilla that I would have to discuss the matter with the Department and with the President as I could not make any categorical statements of any kind whatever, but that I was sure there was a misunderstanding.

I told the President that the State Department had then received through our Embassy in Mexico City a note from the Mexican Government, requesting a loan of considerable size at low interest for oil exploration and development and that in the note no mention was

made of military reserve although Dr. Padilla had indicated to me at the time the note was delivered that the Mexican Government was prepared, of course, to discuss the matter of a common oil reserve for defense purposes.

In view of the foregoing, I said to the President that the matter was in a very confused situation and that I was sure that there was a misunderstanding by Dr. Padilla of what the President had told him.

President Roosevelt said that I was entirely correct that there had been a very definite misunderstanding. He said that he had not intended to convey to Dr. Padilla the idea in any way that our Government was prepared to make a loan to the Mexican Government or to Pemex for oil exploration or development. The President said that such a loan was out of the question and not to be considered and that he would not consider it. The President said that he did discuss with Dr. Padilla an oil reserve for common defense and for continental defense and had indicated that our Government would be prepared to make a loan, or spend some funds together with the Mexican Government, to explore and develop such a field which could be used for this specific purpose. Such an operation should not cost very much, he said, not more than $3,000,000 or $4,000,000, if that much.

I recalled to the President that I had been carrying on this conversation with the Mexican Government on the basis of the American companies entering into contracts with Pemex or the Mexican Government, which would permit them to carry on exploration and development of oil in Mexico, such contracts being on an equitable basis so far as division of profits is concerned and providing for amortization of the costs involved by the companies in developing the new fields. The President said he understood this and that was quite all right but that was a matter between the companies and the Mexican Government and Pemex but that he saw no reason why my efforts should not be directed toward the facilitating of such equitable arrangements.

The President expressed some doubt as to whether the companies would be interested. I told him that the companies had no desire to operate in Mexico except under Mexican law and they realized that the possession of the subsoil did not come into question and that it was just a question of arrangements permitting exploration and developing and sale of oil. Whether the refining privileges would be granted was a matter of decision of the Mexican Government.

I specifically asked the President whether I was correct in my assumptions that there would be no oil loan such as Dr. Padilla had in mind and as the Mexican note contemplated, and he said that it could not be considered under any circumstances. He was interested in the question of reserves on the basis indicated in this memorandum and he wanted me to pursue that further. So far as my conversations

as regards participation of the private companies were concerned, I was carrying them on a correct basis and could proceed on that basis.

The President made it clear that there had been a misapprehension as to his view with regard to the feasibility of a loan for oil exploration and development other than these military reserves. He made it clear that he was in accord with the basis on which I had been conducting this conversation with the Mexican Government and which had his approval and that of the Department of State.

812.6363/9–1144

The Secretary of State to the Ambassador in Mexico (Messersmith)

No. 6794 WASHINGTON, December 28, 1944.

SIR: Reference is made to your despatch no. 20,043 of September 11, 1944, transmitting a memorandum dated September 6, 1944, received from the Mexican Foreign Office proposing that this Government consider a loan to the Mexican Government for the purpose of aiding Petróleos Mexicanos in the exploration and the development of Mexican oil resources. In your despatch, you point out that, when the Foreign Minister, Secretary Padilla, handed you this memorandum, he made reference to his visit to Washington in July and to his understanding that the President had indicated that this Government would be prepared to give consideration to the request of the Mexican Government for such a loan.

Reference is also made to your conversation of December 19, 1944, with the President, during which, according to the records of the Department, you discussed this question, and the President informed you that it would not be possible for this Government to make available to the Government of Mexico or to Petróleos Mexicanos a loan for commercial exploration and development of the Mexican oil resources, but, on the other hand, that this Government would be prepared to discuss the possibility of a loan for the development of an oil reserve for common or continental defense. The President further stated that any actual arrangements whereby American oil interests might participate in the development of the Mexican oil industry were matters resting between the companies and the Mexican Government, but that he saw no reason why your efforts should not be directed toward the facilitating of equitable arrangements to this end. The President also expressed his concurrence with the bases upon which you have heretofore conducted these conversations.

Accordingly, you are instructed that:

1) Your Government desires you to continue, on the same basis as heretofore, your conversations with the Mexican Government respecting the possibility of equitable arrangements between that Gov-

ernment and American oil companies whereby the latter might participate in the development of Mexican oil economy.

2) Your Government regrets its inability to arrange for a loan by the Export-Import Bank or any other United States Governmental institution to the Government of Mexico or to Petróleos Mexicanos or to any other Mexican Governmental institution for the development of the Mexican oil industry in its commercial phases.

3) Your Government is still deeply interested in the possibility of the development of oil reserves in Mexico for common and for continental defense and would be prepared to discuss the possibility of a loan to explore and to develop such reserves.

There is enclosed the draft text of a proposed memorandum [83] in reply to the Mexican memorandum of September 6, 1944. The Department leaves to your discretion whether or not this text should be presented as drafted and you are authorized to make such changes therein within the scope of your instructions as you may deem necessary.

The Department will be interested in your comments concerning Secretary Padilla's reaction to the three points outlined above, and knows it need not emphasize to you its appreciation of the importance of your conversations both with respect to the President's desire to do everything possible to secure adequate oil reserves for possible future military emergency and with respect to facilitating the reaching of arrangements between the Mexican Government and American oil companies.

Very truly yours, E. R. STETTINIUS, JR.

NEGOTIATION OF A PROTOCOL SUPPLEMENTARY TO A TREATY BETWEEN THE UNITED STATES AND MEXICO CONCERNING UTILIZATION OF THE WATERS OF THE COLORADO, TIJUANA, AND RIO GRANDE RIVERS;[84] SPECIAL MEASURES TAKEN TO SUPPLY WATER TO DROUGHT AREAS PENDING RATIFICATION OF THE WATER TREATY AND PROTOCOL

711.1216M/2731

The Secretary of the Interior (Ickes) to President Roosevelt

WASHINGTON, March 18, 1944.

MY DEAR MR. PRESIDENT: The natural resources of the United States in the great basins of the Colorado River and the Rio Grande would be affected considerably by the recent treaty with Mexico [85] which is

[83] Not printed.

[84] For previous correspondence regarding the negotiation of this treaty, see *Foreign Relations*, 1943, vol. VI, pp. 592 ff. For text of treaty relating to the utilization of waters of the Colorado and Tijuana Rivers and of the Rio Grande, signed at Washington February 3, 1944, and Protocol signed at Washington November 14, 1944, see Department of State Treaty Series No. 994, or 59 Stat. (pt. 2) 1219.

[85] For statement released to the press February 4, 1944, regarding this treaty, see Department of State *Bulletin*, February 5, 1944, p. 161. For maps and a more detailed description of the treaty, see *ibid.*, March 25, 1944, pp. 282–292.

now pending ratification by the Senate. As you know, the treaty which you transmitted to the Senate on February 15 relates to the utilization of the waters of the Colorado and Tijuana Rivers and of the Rio Grande.

I cannot make informed comment on the adequacy of the consideration running to the United States in this international deal in waters. Aside from the general aspects of our "good neighbor" policy, I do not know what specific factors in our relations with Mexico justify the treaty. Those factors must be of great weight, for certainly the treaty is magnanimous on our part. On the Colorado River, we guarantee to Mexico about twice as much water as she ever was able to use before the Department of the Interior built and operated Boulder and thereby evened out the flow of that river between the flood and dry seasons. Yet the treaty does not make any charge to Mexico for the Boulder storage which under the treaty will be used for Mexico's benefit. We also agree to build Davis Dam below Boulder entirely at our expense and without charge to Mexico to operate it partially to service deliveries to Mexico.

On the Rio Grande, however, we get a comparatively modest amount of water apportioned to us; and we agree to pay a substantial part of the cost of necessary storage and regulating works. We swap some Colorado River water for some Rio Grande water. Mexico pays nothing toward storage of the Colorado River water, while we pay something for storage of the Rio Grande water.

More importantly, what this treaty deals in is not products of the United States. It deals in a natural resource of the United States, with what we must conservatively use in order to produce. In the Colorado River Basin (California, Arizona, Nevada, New Mexico, Utah, Colorado and Wyoming) water is the prime natural resource. An acre of land out there is no good agriculturally without several acre feet of water. Opportunities out there for homestead farming by returning servicemen and demobilized industrial workers depend on more acre feet of water being conserved and used on more arid land.

California is building up to a loud and perhaps bitter fight on this treaty because, as she sees it, water is being taken from California and given to Mexico in return for Mexico providing some Rio Grande water for Texas.

I am not prepared to state precisely what the probable benefits and burdens of the United States regarding water supplies will be under the treaty. The treaty was made public on February 15. The Bureau of Reclamation has been analyzing it and by early April will be prepared to give pertinent technical information. The Bureau undoubtedly will be called on for factual and technical information, in connection with the Senate's consideration of the treaty. And although

the Bureau will confine its presentations to those that are factual and technical, what it presents probably will be used, fairly or unfairly, in opposition to ratification. Incidentally, some of the technical arrangements for diversion and delivery of Colorado River water to Mexico reflect, upon analysis, a lack of understanding of the complicated engineering and legal arrangements governing the reclamation works of the Yuma and All-American Canal projects,[86] works that will be used to service deliveries to Mexico.

The treaty's provisions for administration and organization have a heavy impact on the existing functions and duties of this Department. The treaty, requiring ratification of only the Senate, establishes the U. S. Section [87] as a new internal bureau of government for the exclusive exercise of numerous and diverse functions relating to flood control, irrigation, stream measurement and other matters wholly within the interior of the United States, including several functions heretofore, normal to, and performed by, existing domestic agencies such as the Bureau of Reclamation, the Geological Survey and the Corps of Engineers, United States Army. It vests in the U. S. Section exclusive jurisdiction and control of the works constructed, acquired or used to the extent necessary to effectuate the provisions of the treaty. The treaty repeals by implication a substantial part of the jurisdiction and control of this Department over the Boulder Canyon project, the Davis Dam, Parker Dam, All-American Canal projects on the Colorado River, and the Rio Grande project in New Mexico and Texas.[88] The ability of the Department of the Interior to perform the functions and to carry out the duties long vested in it by acts of Congress will be rendered at least somewhat vague and uncertain, and this Department will find performance, on its part, of its existing contracts for water and power somewhat awkward and difficult, if not to an extent impossible.

The United States Section of the Commission, which the treaty permanently establishes, will be given broad discretion in the administration of water resources and the planning of projects in the Interior of the United States, answerable only to the Department of State. Requests for appropriations to finance its activities will have in their

[86] The Yuma project irrigated an area of Arizona approximately 25 miles in length extending from a point northeast of Yuma, southwest through Yuma, to the Mexican border. The All-American Canal was built by the Department of the Interior pursuant to the Boulder Canyon Project Act of 1928 (45 Stat. 1057) to connect the fertile Imperial Valley of southern California with the Colorado River above Yuma at Imperial Dam.

[87] United States section of the International Boundary Commission, United States and Mexico. For a brief history of this Commission, created in 1889 and organized in 1894, see Charles A. Timm, "United States-Mexican Public Commissions," *Mexico and the United States*, published by the Institute of Public Affairs, 1938.

[88] The Valley Gravity and Storage Project, Texas, known also as Federal Project No. 5, proposed for the purpose of irrigation of United States land in the lower Rio Grande Valley.

support the pressure of international treaty obligations. Any attempt, legislatively, to modify the domestic functioning of the United States Section will meet the barrier that such legislative modification would violate a treaty with a foreign power.

I believe that you would want my views on this treaty, for although it is a matter of foreign affairs, the stuff with which it deals is the disposition and administration of water resources in the west.

Sincerely yours, HAROLD L. ICKES

711.1216M/2717 : Telegram

The American Commissioner, International Boundary Commission (Lawson), to Mr. Charles A. Timm of the Division of Mexican Affairs

EL PASO, TEXAS, March 23, 1944.
[Received March 24—8 : 55 a. m.]

With reference to question which has arisen concerning jurisdiction over facilities in United States required in part for delivery of water to Mexico allocated under provisions of treaty signed in Washington on February 3, 1944, you will recall that in negotiations with Mexican representatives they were insistent that control over all facilities in both countries necessary for effectuation of treaty provisions be vested in International Boundary Commission subject to supervision of Department of State of the United States and Department of Foreign Relations of Mexico. This control, however, was only to the extent necessary to insure compliance with treaty provisions so as to afford a central agency with which both countries could deal in matters pertaining to boundary and international water matters and the scope of this provision was so limited in the terms of treaty. It is quite certain that Mexico would not recede from this position nor agree to any qualification thereof. The interpretation which I put on these provisions is contained in my memorandum dated March 8, 1944,[89] which I believe to be the correct one. The jurisdiction of this section would apply only to facilities on or near the boundary used exclusively for the delivery of Mexico's waters. On all facilities upstream on the Colorado River this section would exercise no control or jurisdiction and these would remain under the exclusive control and jurisdiction of the Bureau of Reclamation, which would so operate the structures as to assure the delivery of Mexico's water at the boundary. These matters could be worked out in an agreement between the Department of State and the Department of the Interior along the lines of my memorandum of March 8 and I suggest the terms of such an interdepartmental agreement be worked out in discussion with officials

[89] Transmitted to the Department in covering letter of March 10 to Mr. Timm; not printed.

of the Bureau of Reclamation next week when I expect to be in Washington. Bureau of Reclamation jurisdiction over Project Number 5 [90] in lower Rio Grande Valley would be unaffected. Sole purpose of all these provisions is to funnel through the commission matters relating to treaty provisions without interference with Interior arrangements.

LAWSON

711.1216M/2732

The Secretary of State to President Roosevelt

WASHINGTON, April 3, 1944.

MY DEAR MR. PRESIDENT: I refer to the letter to you of March 18, 1944 from Secretary Ickes commenting upon the water treaty with Mexico, which was signed on February 3, 1944 and transmitted to the Senate on February 15, 1944.

The comments by Secretary Ickes fall into two groups: those relating to the possible effects of the treaty upon the general interests of the United States and those relating to the functions and duties of the Department of the Interior as they might be affected by the treaty.

As to whether the provisions of the treaty can justifiably be regarded as too generous to Mexico a few brief statements may be in order:

1. So far as the guaranteed quantity allocated to Mexico from the Colorado River is concerned it is by no means established that the quantity of 750,000 acre-feet represents the maximum possible use in Mexico before the construction of Boulder Dam. In this connection it is my understanding that Mexico had the right to use half of the flow of the Alamo Canal,[91] which at times exceeded 3,000,000 acre-feet a year. Furthermore, it is expected that ultimately approximately one-half of the 1,500,000 acre-feet guaranteed to Mexico will be composed of return flows, which in effect will mean that Mexico will receive no more, and probably less, than five per cent of the virgin run-off of the Colorado River system. Nor is it unimportant that the minimum quantity guaranteed is less than the total of Mexico's diversions during 1943. International precedents upon this subject indicate that the criterion that would probably be used in international proceedings would be the uses by Mexico as of the date of such proceedings and not the uses as of some date adopted *ex parte* by the United States to suit its own interests. When considered in the light of previous Mexican demands and of present uses in Mexico it is not believed that the guaranteed allocation can be regarded as over-generous. In its

[90] Federal Project No. 5.

[91] The Alamo Canal, prior to completion of the All-American Canal in 1942, carried water from Rockwood Heading at Andrade on the Colorado River west to the Imperial Valley of Southern California and its Mexican extension, the Mexicali Valley. Unlike the All-American Canal which throughout its 80-mile course flowed north of the border, the Alamo Canal ran westward for 60 miles through Mexican territory.

ultimate practical effects the treaty provisions would seem to assure a large expansion of uses in the United States and some decrease of uses in Mexico, in both cases as compared with present diversions.

2. The terms relating to the division of the water of the Rio Grande below Fort Quitman are also believed to be fair. The conditions on this stream are markedly different from those prevailing in the Colorado River system. In the case of the Rio Grande the ultimate effect of the treaty provisions would assure a considerable expansion over present uses in each country.

3. The suggestion that Colorado River water was traded for some Rio Grande water is without foundation. The circumstances of the case, with particular reference to Federal Project No. 5, made it quite unnecessary to engage in a trade of this kind and in fact none was contemplated, proposed, or made.

4. In respect of the distribution of costs of the works called for by the provisions of the treaty it is believed that they will be regarded upon closer analysis as not inequitable. In the case of the works on the Rio Grande the costs of construction, operation, and maintenance are to be divided in proportion to the benefits received by the respective countries. Assuredly, this should be considered a fair division. In the case of the works on the Colorado River Mexico is to pay a proportionate part of the costs of construction, operation, and maintenance of certain works to be used in the interest of both countries and all of such costs of works used entirely in the interest of Mexico. Mexico is not required to pay any part of the costs of Boulder Dam or of Davis Dam, but the treaty does not contemplate the direct use of any part of the capacity at Boulder in the interest of Mexico, and even Davis Dam and Reservoir are thought of primarily as serving the interests of the United States and only incidentally the interests of Mexico. Furthermore, all of the power revenues at Davis Dam will accrue to the benefit of the United States whether the power will be produced by water destined for the United States or for Mexico.

5. Power production at Pilot Knob [92] may in time bring some benefit to Mexico in the form of a reduction in its part of the costs of certain works, but only after the construction cost of the hydro-electric works is fully amortized.

6. Finally, it is important to note that the present uncertainty regarding the amount of water that Mexico is to receive from the Colorado and the amount of Rio Grande water that developments in the Lower Valley of Texas can depend upon in the future tends to retard plans and developments. One of the important advantages of this treaty is that it removes this cloud of uncertainty. In the case of the Colorado an enormous quantity of water will of necessity flow

[92] A spillway in the All-American Canal.

across the boundary line into Mexico for many years and since much of this can be put to beneficial use in that country it becomes highly important and even necessary to fix the limits of our obligation and of Mexico's rights. Furthermore, I am informed that the allocation provided in the treaty falls well within the limits of a formula in the making of which officials of the Bureau of Reclamation fully participated.

Turning now to the treaty's provisions on administration and organization, I should like to make a few comments on the points raised in the letter from Secretary Ickes:

1. The International Boundary Commission had already been made permanent by the Convention of November 21, 1900;[93] hence the present treaty merely adopts what had been already done, thus rendering unnecessary the continuance of the earlier convention.

2. By virtue of its experience under previous treaties and ordinary statutes, this Commission is the appropriate agency for administering the treaty now under consideration, which, in fact, is strictly in line with the provisions of the Convention of March 1, 1889.

3. It is true that the proposed treaty vests in the United States Section of the Commission numerous functions relating to matters which are usually performed by other agencies when such matters are primarily domestic in character and effects, but it may be stated that in the negotiations the Mexican representatives were insistent that some measure of control over all facilities in both countries necessary for the effectuation of the treaty provisions be fixed in the International Boundary Commission, or its national sections, subject to the supervision of the Department of State of the United States and the Foreign Office of Mexico. A careful analysis of the treaty provisions leads to the inescapable conclusion that this control in the Commission is [provided?] only to the extent necessary to insure compliance with the treaty provisions and to afford a central agency with which both countries could deal in matters pertaining to the boundary and to international waters. Correctly interpreted the treaty would mean in effect that the jurisdiction of the United States Section of the Commission would apply only to facilities on or near the boundary used exclusively or primarily for the delivery of Mexico's waters. On all up-stream facilities on the Colorado this section would exercise no control or jurisdiction and these would remain under the exclusive control of the Bureau of Reclamation, which would so operate these structures as to assure the delivery of Mexico's waters at the boundary. The manner

[93] The Water Boundary Convention between the United States and Mexico, signed at Washington; for text, see *Foreign Relations*, 1900, p. 788. This convention extended for an indefinite period the treaty of March 1, 1889, also signed at Washington, printed in William M. Malloy (ed.), *Treaties, Conventions, etc., Between the United States of America and Other Powers*, 1776–1909 (Washington, Government Printing Office, 1910), vol. I, p. 1167.

in which the two Departments would correlate their functions in relation to the works on the Colorado is clearly indicated by the satisfactory relations which subsist in the administration of the Rio Grande Project in New Mexico and Texas, which is not affected in any respect by this treaty. As for the Rio Grande below Fort Quitman it is not perceived in what manner it could be understood that the jurisdiction of the United States Section under the terms of the treaty encroaches upon the jurisdiction of the Bureau of Reclamation, and it is believed that the jurisdiction of the Bureau over Project No. 5 in the Lower Valley of Texas would be unaffected. The sole purpose of all these provisions is, without interfering with domestic arrangements, to funnel through the Commission matters relating to the treaty provisions. It is understood that representatives of the two Departments have engaged on numerous occasions in informal conversations regarding the relations of the two Departments in the administration of the treaty terms. This would seem to be the appropriate procedure, and it is hoped that any remaining questions can be thus resolved, preferably in advance of the hearings upon the treaty in the Foreign Relations Committee of the Senate.

This letter does not, of course, discuss exhaustively the points at issue, but it may serve to indicate that the treaty is not inequitable, that the Department of State does not seek to encroach upon the jurisdiction of the Department of the Interior, and that in further conferences representatives of the two interested Departments should be able to resolve without difficulty any remaining doubts and questions.

Sincerely yours, CORDELL HULL

711.1216M/2732

President Roosevelt to the Secretary of the Interior (Ickes)

WASHINGTON, [April 3, 1944.]

DEAR HAROLD: I sent your letter to me of March 18, 1944 to Secretary Hull, who has now written me the attached letter in reply.[95] I thoroughly concur in his view that this treaty is fair and equitable and in our broad national interests. However, I fully appreciate your point with regard to jurisdiction over certain matters that will arise in the administration of the treaty as between your Department and the Department of State. Mr. Hull tells me that he is proposing to you in another letter[96] an immediate conference between representatives of your two Departments to adjust these matters. In the light of established policy, it is apparent that your Department should construct and operate those interior facilities used only partly for

[95] Letter dated April 3, *supra*.
[96] Letter dated March 31, not printed.

the delivery of Mexico's water, and that the Department of State, through the United States Section of the International Boundary Commission, should control the construction and operation of those facilities used exclusively for this purpose, and of those situated on the boundary. Nothing in the treaty prevents such an arrangement. I want these questions settled in advance of consideration of the treaty by the Foreign Relations Committee so that your agency can give unqualified support to the treaty before the Committee.

Sincerely yours, F[RANKLIN] D. R[OOSEVELT]

711.1216M/2778

The Ambassador in Mexico (Messersmith) to the Director of the Office of American Republic Affairs (Duggan)

[Extracts]

MÉXICO, D.F., May 3, 1944.
[Received May 6.]

DEAR LARRY: I have your confidential letter of April 29 [97] stating that the Department has been unofficially informed that the Foreign Relations Committee of the Senate at its regular meeting on April 26, voted to postpone the hearings on the water treaty. I note that the postponement was not to any particular time, so that the Committee is free to take up consideration of the treaty at any time it may deem appropriate. I note that you state that the reasons for this action by the Committee are not difficult to understand as apparently the Congress intends to adjourn before the National Conventions and it may not assemble again until after the general elections in November. You indicate that if the Congress adjourns at the time indicated there would not be sufficient opportunity for the Committee to hold extensive hearings on the treaty and thereafter for the Senate to give the matter proper consideration. You state that since the treaty has aroused strong and well-organized opposition in California, the Senate would of course proceed with a considerable measure of caution. I note your comment that under all the circumstances the Committee apparently deemed it inadvisable to undertake the hearings and then have the matter postponed for final decision until after the elections. You state that this should not be taken to mean that the treaty will be withdrawn or permanently shelved but that on the contrary some of the strongest proponents believe that delay will work to our advantage.

Dr. Padilla [98] has been sick for three or four days with a fever and I have just learned that he is still in Cuernavaca. I will undoubtedly

[97] Not printed.
[98] Ezequiel Padilla, Mexican Minister for Foreign Affairs.

not see him before I leave for San José Purua tomorrow afternoon for the two weeks holiday which I feel it is imperative that I take, much as I dislike to leave Mexico City at this time. I will therefore not be able to talk to him personally about this. I feel sure, however, that the President and Dr. Padilla already have some information on this matter, for I need not tell you that information travels fast from Washington and people here are extraordinarily well-informed. I sometimes find that they have information about things of this kind here before I do. In this connection I think you will be interested in seeing an information bulletin which comes out here in Spanish. The issue for May 1 carried an article of which I append a translation [99] to this letter. I need make no comment on this confidential news letter, for it speaks for itself. I only send it to you because it shows how fully people are informed here, and how rapidly. This news bulletin came to my desk before your letter of April 29.

In talking with McGurk [1] over the telephone this morning he told me that President Roosevelt had addressed a letter to President Avila Camacho [2] which will reach the Embassy shortly, with regard to this postponement of action on the treaty. I think it is very thoughtful of the President and the Secretary to see that such a letter is written and forwarded to the President of Mexico, and Bursley [3] will see that it is delivered to the President through Dr. Padilla immediately upon its arrival.

I need not tell you what it will mean in high government circles in Mexico that action on the water treaty has been postponed. The Mexicans look upon the settlement of the agrarian claims and the petroleum expropriations as tremendous steps in our relationships. On frequent occasions, however, the highest officials of the Mexican Government have indicated to me that they consider the water treaty as far more important and fundamental, as showing the new character of the relationships between the two countries. The President and Dr. Padilla have used this negotiation of the water treaty as a very powerful weapon in their conversations with some of those in the government and in the country who are more doubtful concerning our good intentions, our sense of equity, et cetera. I think the President and Dr. Padilla, in view of their keen political sense, will be able to understand a good deal better than anyone else here, this action of the Senate Committee, but I am sure that popular opinion

[99] Not printed.

[1] Joseph F. McGurk, Chief of the Division of Mexican Affairs.

[2] Letter dated May 9, not printed. In this letter President Roosevelt stated that due to lack of time for consideration before the close of the current session of Congress, the Foreign Relations Committee had postponed hearings on the treaty, but he promised that he and the Secretary of State would lend their influence to have the treaty considered by the Committee at the earliest opportune moment. (711.1216M/2767a)

[3] Herbert S. Bursley, Counselor of Embassy.

here will not understand it, and there is no doubt that it weakens the position of the President and Dr. Padilla, who have been and are the champions of this full collaboration with us. I think we must look it squarely in the face that postponement of the action on the treaty, even though it is only until after the elections, is a serious blow to us here, and it is I think a serious blow to Dr. Padilla and to the Foreign Office, whose prestige in Mexico is so important to us. Those elements which have been attacking Dr. Padilla and, through him, the President, will use this postponement as proof that the policy of collaboration which Padilla and the President have given does not work.

I think I understand the reasons why the Senate Committee took this action, but I think it would be unwise if I did not state frankly that it is going to weaken our position here very much in the sense that it will weaken the position of the President and the Foreign Minister. I feel that if this treaty had been presented to the Senate now and properly presented by the friends of the Administration, it would have received the necessary approval. I am not in a position to make the balance between the internal factors concerned and the external factors, but I know what the external position is, and of that there is no doubt.

. . . . . .

If the Secretary feels that any possibility exists of the Senate Committee's re-opening the matter and taking action before adjournment, I need not tell you again that I shall be very happy to come up and be helpful in any way that I can. I know so many of the Senators that I think I could give them a picture which might be helpful.

With all good wishes,

Cordially and faithfully yours, G. S. MESSERSMITH

711.1216M/2771

The Secretary of State to President Roosevelt

WASHINGTON, May 10, 1944.

MY DEAR MR. PRESIDENT: In his letter to you of March 18, 1944, the Secretary of the Interior raised certain questions respecting the administration of the water treaty with Mexico.

Your instructions to me in regard to this matter were that the Department of State, acting through the United States Section of the International Boundary Commission, is to supervise and control the construction and operation of all works and facilities situated on the boundary, such as the international dams and appurtenant works on the Rio Grande, and of all works and facilities, wherever situated, that are to be used exclusively for the delivery of water allocated to Mexico. That supervision and control in these instances should be

in this Department and the United States Section of the Boundary Commission is made obvious by the fact that such activities require constant cooperation between those agencies of the two Governments established by treaty and law for such purposes, that is, the two national sections of the International Boundary Commission, United States and Mexico. Your reply of April 3 to Secretary Ickes set forth this general principle, with the further statement that, in accordance with established policy, the Department of the Interior should construct and operate those interior facilities used only partly for the delivery of Mexico's water.

At my suggestion, several conferences have been held between representatives of the two Departments. Although agreement has been reached in part, I regret to say that two fundamental aspects remain unsettled, one of substance, the other of procedure.

Substance. Interior is not disposed to accept the broad rule laid down in your letter of April 3, as summarized above. This rule has heretofore been successfully applied in jurisdictional matters between the two agencies. Interior now wants to take over certain important international functions provided for in the proposed treaty. Of course, work of this kind has been one of the prime functions of the Boundary Commission since 1889. An International Commission had to be set up at that time precisely because both countries had found that this was the only way practically and effectively to work together. The simple fact is that Mexico's agreement to the treaty signed on February 3, 1944 was obtained only by incorporating provisions that continued in the future what had prevailed in the past in similar situations, namely, that jurisdiction over international water matters and facilities along the boundary be in the Department of State of this country and the Ministry of Foreign Relations of Mexico, acting through the two national sections of the International Boundary Commission, United States and Mexico.

It is equally clear that all activities within the United States, except those devoted exclusively to the carrying out of treaty provisions, should be performed by the regular agencies, principally Interior. It is, moreover, the intention of the Department of State and of the United States Section of the Boundary Commission, acting in accordance with Article 20 of the treaty, to make use of these agencies to the fullest extent possible in the design and construction of works allotted this Government along the boundary. These works must be constructed in cooperation with Mexico, which is to bear a proportionate part of the cost, hence they would of necessity have to be under the supervision and control, so far as we are concerned, of the United States Section of the Commission, since obviously only that Section can deal with the Mexicans. Furthermore, the Mexicans would not have it any other way. Interior, as I understand it, desires to take

over what are primarily functions of the United States Section of the Commission.

Form. Interior desires that the agreement on substance, when reached, be accepted by Mexico, either through an exchange of notes, by a protocol, or by a Senate reservation. The use of any of these devices seems improper and unnecessary. Mexico has no concern with the allocation of functions within the United States devolving upon the United States Government. Our Government should decide that for itself. Resort to any of these devices is necessary only when the treaty itself requires modification, and that is not the case here.

It is thus apparent that there is no question of an encroachment by this Department upon the jurisdiction of interior agencies but, rather, of a threatened encroachment by interior agencies upon purely international functions such as would imperil the treaty itself.

At such time as may be convenient to you, I should like to go over this with you at greater length.

Faithfully yours, CORDELL HULL

711.1216M/2776

The Secretary of State to the Secretary of the Interior (Ickes)

WASHINGTON, May 15, 1944.

MY DEAR MR. SECRETARY: I have been informed by the Honorable L. M. Lawson, American Boundary Commissioner, International Boundary Commission, United States and Mexico, that he has received a letter from the Mexican Boundary Commissioner [5] requesting, on behalf of the Mexican Government, permission to install at Mexico's expense a temporary diversion weir in the Colorado River at the Rockwood Heading to assure diversion of sufficient water during this season to lands in the Mexicali Valley. The basis for this request appears to be that, although there is ample flow in the river, the height is not sufficient to effectuate adequate diversion through the heading.

In view of the fact that your Department, through the Bureau of Reclamation, administers the Yuma Irrigation Project, the Imperial Dam,[6] the All-American Canal and certain other Colorado River works in that area, I should like to have the benefit of your advice regarding the best method for the solution of the difficulty facing the Mexicali Valley. Considering that the Bureau is in control of these works and that the proposed temporary diversion weir may not be

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[5] Letter from Rafael Fernández MacGregor dated May 3; not printed.

[6] A dam located on the Colorado River approximately 18 miles north of Yuma, constructed to divert water into the Gila Project Canal on the Arizona side of the River for the eventual irrigation of a large area of land in Southwestern Arizona, and to divert water on the California side of the Colorado River into the All-American Canal.

thought feasible, it may be that the solution could take the alternative form of the delivery of water by the Bureau of Reclamation through the All-American Canal to the lower end of the Pilot Knob Wasteway,[7] in which case it would be necessary for this Department to negotiate an agreement, for this season only, with Mexico, which would include terms of payment by Mexico to the United States for the proportionate use by Mexico of Imperial Dam and of the All-American Canal and appurtenant works. Under this plan the water would flow into the Alamo Canal from the Pilot Knob Wasteway and thence through this canal to the boundary. In case the need of water in the Mexicali Valley became urgent, an arrangement of this kind would permit immediate delivery of water through the All-American Canal without awaiting the completion of negotiations between this Department and the Government of Mexico.

Since the water supply problem in the Mexicali Valley may become serious in the very near future, it is hoped that a prompt exchange of views between our two Departments can be had so that this Department can undertake without delay the necessary negotiations with Mexico.

Sincerely yours, CORDELL HULL

711.1216M/6–744

The Secretary of the Interior (Ickes) to President Roosevelt

WASHINGTON, June 7, 1944.

MY DEAR MR. PRESIDENT: Early in April you wrote to me regarding the Treaty with Mexico [8] and attached to your note Secretary Hull's letter of March 18 addressed to you. Over a period of several weeks in April, representatives of the Department of State and this Department conferred regarding the jurisdiction and functions of the two Departments in connection with the Treaty.

At the most recent conference on April 25, with the Department of State group headed by Mr. Laurence Duggan, and this Department's group by Under Secretary Fortas, informal agreement was reached on the mechanics for putting into legal effect an agreement on jurisdiction and functions. The mechanics agreed upon briefly are as follows:

A memorandum would be signed jointly by the Secretary of State and me which would set forth our agreement to a detailed specification of the functions which should be Interior's and those which should be State's. The agreement would provide that the functions specified

[7] Located on the All-American Canal west of Yuma and about a half mile north of the Mexican border. This wasteway connected the All-American and Alamo Canals near Rockwood Heading. The Bureau's control of Imperial Dam and the All-American Canal extended down to and included Pilot Knob Wasteway.

[8] Letter of April 3, p. 1366.

for agencies of this Department should be performed by this Department "until and unless hereafter provided otherwise by the Congress of the United States, and thereafter as otherwise provided by the Congress." If you approved, the agreement would be transmitted by you to the Senate with your recommendation that the resolution of advice and consent incorporate the agreement; and your letter and the attached agreement would be printed as a Senate Document. The Senate resolution would contain language referring to the Senate Document and qualifying the Senate's advice and consent by a provision that "until and unless hereafter provided otherwise by the Congress of the United States, and thereafter as otherwise provided by the Congress" the functions specified in the Document for performance by agencies of the Department of the Interior should be so performed.

On the substance of jurisdiction and functions, the major question remaining unsettled appears to be whether the Department of State or this Department shall perform such engineering planning, design and construction work as may be required by the Treaty for performance by the United States in connection with the dams and other works along the international section of the Rio Grande and in connection with two possible canals in the vicinity of the international border on the Colorado River. I do not want this Department to conduct relations with Mexico or to take the place of the United States Section of the International Commission in its proper function of determining where international dams on the Rio Grande shall be built and the extent of the participation of each of the two countries in the building of them. However, if the Commission should decide, for example, that a given dam shall be built by the United States and that another shall be built by Mexico, I firmly believe that the engineering work on the dam to be built by the United States should be performed by the Bureau of Reclamation. In brief, I am against duplication of engineering organization and against the continuation of such engineering organization as the present United States Commissioner of the International Boundary Commission has. I believe that the Bureau of Reclamation should furnish the engineering service required of the United States under this Treaty. I just as firmly believe that that engineering service supplied by the Bureau of Reclamation should be subject to such determinations by the Department of State as may be necessary to assure that it will be performed in conformance with the provisions of the Treaty. It is my impression that the Department of State has no desire to build up an engineering organization and that it sees the logic and good sense of my position. I am advised, however, that the United States Commissioner, Mr. Lawson, objects, and apparently would like to continue and expand his engineering and construction organization for the very substantial construction work along the boundary that is required by the Treaty.

There are some other matters remaining unsettled, including pro-

tection of the Big Bend National Park and some of the details regarding stream gaging, the regular function of the United States Geological Survey in this Department. I believe that these other matters can readily be settled.

On April 26, I am informed, the Senate Committee on Foreign Relations indefinitely postponed the hearings on the Treaty. I think that it would be unfortunate if the postponement of the hearings would cause postponement of agreement between the two Departments regarding their respective jurisdictions and functions. We are ready and willing to resume conferences with the Department of State and I have every expectation that such an agreement between the two Departments can be reached promptly. I have designated Under Secretary Fortas to head this Department's representatives in further conferences.

On the essence of the Treaty, the allocation of waters of the Colorado River and the Rio Grande, the Bureau of Reclamation's analytical memorandum, which I requested, has been delayed due to the extraordinary pressure of legislative matters. Accordingly, I have no further comment to make at present on the allocation of waters.

Since the above was written, I have received from you a copy of Secretary Hull's letter of May 10, addressed to you. On the point of substance which the letter makes, I need only refer to the above paragraphs of this letter. My position was very carefully stated and restated to State Department representatives by Under Secretary Fortas on April 25. We do not seek to take over any truly international functions of the United States Section of the Commission. On the contrary, we propose to stay clear of such functions. However, we do declare as improper the continuation and expansion of an engineering organization in the State Department through the device of providing for it in the terms of a treaty.

On form, Secretary Hull's letter points up the difficulty. He states that Mexico has no concern with the allocation of functions within the United States which devolve upon our Government and which our Government should decide for itself. Nevertheless, the Treaty as negotiated does by its terms allocate those functions to the United States Section and thereby makes the allocation a matter of treaty which could be changed only bilaterally. The devices we insist on are required in order to withdraw the allocation of these functions to the domestic field where Secretary Hull concedes it belongs.

In general, Secretary Hull's letter indicates a backing away from the close-to-an-agreement position achieved at the conference of April 25 headed by Under Secretary Fortas and Mr. Duggan. I had hoped and I still hope, and so I reiterate, that if the State Department representatives are agreeable to resuming discussions we should be able

to get together and to avoid "going over this with you at greater length."

I am sending a copy of this letter to Secretary Hull for his information.[9]

Sincerely yours, HAROLD L. ICKES

711.1216M/2811

The American Commissioner, International Boundary Commission (Lawson), to Mr. Charles A. Timm of the Division of Mexican Affairs

EL PASO, TEXAS, June 12, 1944.
[Received June 14.]

MY DEAR DR. TIMM: I have received and read with much interest your letter of June 9, 1944[10] which enclosed a copy of a letter of June 7, 1944 from Secretary Ickes to the President in regard to the water treaty between the United States and Mexico, and particularly with reference to the question of jurisdiction as between the Department of State and the International Boundary Commission, and the Department of the Interior and the Bureau of Reclamation.

The Department of Interior's letter refers to a number of conferences between representatives of the Department of State and the Department of the Interior, and cites in detail what is assumed by the Interior Department to be an informal agreement reached on April 25 in conferences on the mechanics of putting into legal effect an agreement on jurisdiction. The writer, who was present at this meeting, was not aware that even a tentative agreement on either jurisdiction or form was accomplished, nor do the notes made at this conference[11] indicate any such agreement. Rather, they show that conferences were to be continued on the whole subject. The position of the American Section of the International Boundary Commission, as stated on several occasions by the Commissioner, was to the effect that there was a necessity for some agreement upon the substance, rather than the form, of the mechanics and, since there has been a very definite showing as to the disagreement on these various important matters of jurisdiction and functions, there could be of course no reason to believe that an agreement upon the mechanics had been reached. So much has been written, and is of record, in regard to this jurisdictional question that it seems unnecessary to comment on the various ideas and suggestions made by certain officials of the Interior Department. These ideas indicate considerable misunderstanding of these international matters, and a definite lack of conception as to

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[9] Transmitted in covering letter dated June 7, not printed.
[10] Not printed.
[11] Memorandum of conversation, dated April 25, by Frank B. Clayton, Counsel for the International Boundary Commission, not printed.

the responsibilities and duties involved and which are imposed upon the International Commission by existing treaty and therefore do not depend upon new treaty provisions. There is attached hereto a separate statement [12] showing these authorizations and the necessity for the Commission's acting with engineering understanding and capacity in many of the border international problems. Apparently the requirement for a composition of views and joint action by the two countries is lost sight of by the Interior Department in its belief that one country alone can formulate plans for international development. To follow through with the ideas proposed by Interior would lead to embarrassing commitments and a compromising position with Mexico that would be dangerous in effect. The fact is that the development of the Lower Rio Grande is a joint undertaking of the two countries through the established Commission as the proper agency for such an international undertaking. Other departments besides Interior are of course to be considered in any final arrangement but it is very highly probable that Mexico would seriously object to commitments reached otherwise than by the joint action of the Commission which is to be approved by the two Governments.

Storage works on the Lower Rio Grande are matters for joint consideration of the Commission as to location, design, specifications, costs and operation, and these matters must be jointly agreed upon and recommended to the two Governments by the Commission. It seems impossible for this office to agree with the Interior Department's conception, which loses sight of such a joint arrangement and cooperative method which the two sovereign nations expect to be composed and agreed upon. The arrangement provided by Congress in the authorization and first appropriation for Project Number 5 on the Lower Rio Grande [13] gives a positive indication of Congressional views on this question of jurisdiction. The Act provides in part as follows:

". . . Provided Further, That the Secretary of State, with the approval of the President, shall designate the features of the project which he deems international in character, and shall direct such changes in the general project plan as he deems advisable with respect to such features; and the features so designated shall be built, after consultation with the Bureau of Reclamation as to general design, by the American Section of the International Boundary Commission, United States and Mexico, and shall be operated and maintained by said Commission insofar as their operation and maintenance in such manner is, in the opinion of the Secretary of State, necessary because of their international character. . . ."

Pursuant to provisions of this Act, the Secretary designated the following features of the project to be purely international in nature

[12] Not printed.

[13] Allocation of funds for the Valley Gravity Canal and Storage Project, Texas, under Public Law No. 136, June 28, 1941; 55 Stat. 338.

and to be constructed, operated and maintained by the American Section of the International Boundary Commission:

"All storage and diversion structures and their appurtenant works, including canal headings and sluiceways, which may be built on the international boundary portion of the Rio Grande." [14]

The action of the Secretary in so designating these features pursuant to the Congressional mandate would seem to foreclose any question of jurisdiction as far as international storage and other works on the Rio Grande are concerned.

It may be of interest to remark at this point that the Interior Department has not maintained a construction force for many years, and all dams recently constructed have been built by contractors. In other words, the Bureau of Reclamation has no construction force and neither has the International Boundary Commission, but the construction of dams on the Lower Rio Grande must await the joint consideration of the Mexican Government and the United States Government as to the methods and other important factors involved. Any decision to make commitments to another agency in advance of such joint international determination would be entirely inappropriate and constitute a serious breach of agreement.

Probably one of the most astounding and astonishing aspects of this present controversy is the importance which has been placed by the Interior Department on these questions of jurisdiction, rather than upon the provisions of the water treaty itself; and while several individual expressions by prominent officials of the Bureau of Reclamation as to the distinct advantages to be obtained in carrying out this present allocation of international waters have been made, it is significant that no official comment has been received on that phase of the subject whereas elaborate statements are made indicating objection to having international engineering work handled by an international Commission; all of which appears to be a device designed to give the Interior Department a determination in international matters.

In conclusion, it seems to me quite obvious that it is the function of the Department of State, as the treaty making agency, rather than the Department of the Interior, to interpret the provisions of the treaty and determine the method by which any such interpretation should be made effective.

In connection with the development of a statement by the two Commissioners interpreting certain articles of the treaty, but with no change in meaning, I expect to forward to the Department within

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[14] Secretary Hull made this designation in a "Memorandum Concerning the Designation of International Features of the Valley Gravity Canal and Storage Project," dated February 9, 1942, signed by the Secretary and approved by President Roosevelt.

the next day or two such a statement [16] which is the result of recent conferences with the Mexican Commissioner.

Sincerely yours, L. M. LAWSON

711.1216 M/2812

The American Commissioner, International Boundary Commission (Lawson), to the Secretary of State

EL PASO, TEXAS, June 14, 1944.
[Received June 16.]

SIR: I refer to my telegram of May 26, 1944,[17] suggesting the advisability of a joint memorandum by the two Boundary Commissioners on the jurisdictional questions which have been raised in connection with the water treaty signed at Washington on February 3, 1944, and to the Department's letter of June 10, 1944,[17] signed by Mr. J. F. McGurk, Chief, Division of Mexican Affairs, in which the view was expressed that such a joint memorandum would be of service in this matter.

Accordingly, I have engaged in conversations with the Mexican Commissioner, as a result of which we have agreed upon the text of a tentative memorandum on this subject to be submitted to the two Governments for their consideration. I enclose herewith three copies each of the English and Spanish text of this memorandum and one copy each of the letters of transmittal, signed by the two Commissioners,[18] for the Department's consideration and comments.

I presume that if this memorandum or one along similar lines is approved by the two Governments, the matter will be consummated by an exchange of notes between the two Governments which will be transmitted to the Senate and become a part of the record to be considered by that body in connection with the ratification proceedings, and thus become, in effect, a part of the treaty itself.

Such a procedure seems to me to be highly desirable in view of the controversy which has arisen with interior agencies over matters of jurisdiction. It will be recalled that in the conferences between representatives of the Department of State and of the Department of the Interior held in Washington last April,[19] the representatives of the Department of the Interior insisted upon a protocol or exchange of notes or a Senate reservation to its advice and consent to ratification

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[16] Memorandum of Understanding, dated June 10, 1944, p. 1380.
[17] Not printed.
[18] Letters of transmittal not printed.
[19] April 15 to April 25.

which would have the same force and effect as the treaty, and which would protect its existing or future jurisdiction over interior functions.

The present suggested approach to this problem seems to me to be the least objectionable of any that had been suggested, since it preserves control over the matter in the foreign relations departments of the two Governments where, in my opinion, it belongs.

It will be noted that the memorandum is general in its terms, laying down the broad general principles for an allocation of functions between the interior and international agencies rather than attempting to enumerate the specific functions to be performed and the specific facilities or works involved. This is deemed to be necessary for two reasons: in the first place, the provisions of the memorandum must relate equally to the two countries; in the second place, other agencies than that of the Department of the Interior may be involved, and the terms of the memorandum are accordingly made broad enough to cover any other domestic agency which may be involved in the discharge of treaty functions.

The representatives of the Department of the Interior objected to any interpretation of the treaty by the two Governments which was merely permissive in nature as far as the exercise of jurisdiction over interior works is concerned; that is, they desired the instrument to be employed to give affirmative protection to their jurisdiction rather than to imply some delegation of powers on the part of the Commission or the United States Section thereof. Consequently, the memorandum provides that treaty functions involving the use of works or facilities having a domestic as well as an international significance *shall*, rather than *may*, be performed by the particular interior agencies having jurisdiction over these works. It is believed that this should accomplish the purpose desired by the representatives of the Interior Department in having their powers spring from existing or future domestic laws and from the treaty itself, rather than from any delegation from the Commission or the American Section, which seemed to be distasteful to them.

The terms of the memorandum, I believe, protect the jurisdiction of interior agencies over interior works and facilities to be employed only in part for the discharge of treaty functions and, at the same time, preserves the jurisdiction of the Commission and its national sections over purely international functions. It also permits the use by the Commission or its national sections of public or private agencies in the construction of the international works.

I should appreciate having the Department's advice and comments on the proposed memorandum and the suggested manner of approach to the solution of this problem.

Very truly yours, L. M. LAWSON

[Enclosure]

Draft of Proposed Joint Memorandum [20]

JUNE 10, 1944.

MEMORANDUM OF UNDERSTANDING BETWEEN THE GOVERNMENTS OF THE UNITED STATES OF AMERICA AND THE UNITED MEXICAN STATES WITH RESPECT TO CERTAIN JURISDICTIONAL PHASES OF THE TREATY BETWEEN THE TWO COUNTRIES, SIGNED AT WASHINGTON ON FEBRUARY 3, 1944, RELATING TO THE UTILIZATION OF THE WATERS OF THE COLORADO AND TIJUANA RIVERS AND OF THE RIO GRANDE FROM PORT QUITMAN, TEXAS, TO THE GULF OF MEXICO

It is the agreement and understanding of the two Governments that:

Wherever, by virtue of any provision of the treaty between the United States of America and the United Mexican States, signed at Washington on February 3, 1944, relating to the utilization of the waters of the Colorado and Tijuana Rivers and of the Rio Grande from Fort Quitman, Texas, to the Gulf of Mexico, specific functions are imposed on either Section of the International Boundary and Water Commission involving the construction or use of facilities or works, whether for the storage or conveyance of water, flood control, stream gaging, or for any other purpose, and which are situated wholly within the limits of the country of that Section, and which are to be used only partly for the performance of treaty provisions, such functions shall be performed, and such facilities or works shall be constructed, operated and maintained, by any Federal agency of that country which now or hereafter may be authorized by domestic law to construct, or to operate and maintain, such facilities or works. Such functions shall be exercised in conformity with the provisions of the treaty and in cooperation with the respective Section of the Commission, to the end that all international obligations and functions may be coordinated and fulfilled. The works to be constructed on or along the boundary, and those to be used exclusively for the discharge of treaty provisions, shall be under the jurisdiction of the Commission or of its respective Section, in accordance with the provisions of the treaty, and the respective Sections may, so far as practicable, make use of any competent public or private agencies in carrying out the construction of such works, in accordance with the laws of the respective countries.

[20] A copy of this draft memorandum was sent to President Roosevelt under date of June 29, 1944.

711.1216M/6–744

President Roosevelt to the Secretary of the Interior (Ickes)

WASHINGTON, July 3, 1944.

DEAR HAROLD: I have discussed with the Secretary of State your letter of June 7, 1944 regarding the proposed water treaty with Mexico.

I want this jurisdictional problem settled in accordance with the principle that was clearly stated in my letter to you of April 3, 1944. In conformity with this principle and in accordance with my wishes in the matter the two Commissioners of the International Boundary Commission have drawn up a joint draft memorandum [20a] which they have submitted to the two Governments for their consideration. This memorandum, which has my approval, will be made effective, if approved by the Mexican Government, by an exchange of notes and will thereupon become an official interpretation of and have equal force with the treaty. For your information I am enclosing a copy of this memorandum. The Secretary of State has my full authorization to resolve this question in accordance with this procedure and in agreement with the principle set forth in my letter to you of April 3 and again in the joint memorandum of the two Commissioners.

It is essential that this matter be cleared up immediately; hence if you have any observations to offer please submit them at once to the Secretary of State.[21] I of course desire that both Departments give their wholehearted support to the treaty when it is considered by the Senate.

Sincerely yours, FRANKLIN D. ROOSEVELT

711.1216M/6–1644

The Department of State to the Mexican Embassy

MEMORANDUM

In regard to the water supply situation during this irrigation season in the Mexicali Valley, referred to in Memorandum no. 6598 of the Mexican Embassy, dated June 16, 1944,[22] the Department of State has authorized the United States Commissioner on the International

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[20a] *Supra.*

[21] Secretary Ickes in his letters of July 10, 1944, to the President and to the Secretary of State (711.1216M/7–1044), expressed approval of the mechanics of this memorandum but stated his desire to discuss its form. Informal discussions in late July between representatives of the Department and of the Bureau of Reclamation resulted in several changes and additions which were approved by the Department and incorporated in a formal, revised memorandum dated July 27, 1944. This revision was transmitted to Commissioner Lawson by the Secretary in a letter dated July 29, 1944, for examination and approval of the Mexican Commissioner and of his Government, prior to its presentation to the United States Senate for ratification, together with the water treaty. (711.1216M/2812)

[22] Not printed.

Boundary Commission, United States and Mexico, to inform the Mexican Commissioner that neither this Department nor the Department of the Interior has any objection to the construction by Mexico of a temporary weir or tappoon at Rockwood Heading, provided that the necessary arrangements are made with the Imperial Irrigation District since the use of its facilities are involved, and provided also that the construction plans are submitted to and approved by the Bureau of Reclamation of the Department of the Interior. The United States Commissioner will also inform the Mexican Commissioner that, although this Department can assume no responsibility for the feasibility of such structure and no part in its design and construction, it will endeavor to facilitate the passage into the United States of Mexican nationals and materials needed for the construction of the weir, once the necessary arrangements with the Imperial Irrigation District are made and the approval of the Bureau of Reclamation is secured.

WASHINGTON, July 6, 1944.

711.1216M/7–1444 : Telegram

The Consul at Mexicali (Ketcham) to the Secretary of State

CALEXICO, CALIFORNIA, July 14, 1944.
[Received July 15—12:49 a. m.]

21. Reference despatch 266 of July 8, and subsequent despatches.[23] Governor Taboada of Northern Territory Baja California stated this morning he has hopes United States Government would arrive at some solution soon to alleviate critical water shortages Mexicali Valley. As last resort, if water to Alamo [24] not forthcoming National Irrigation Commission [25] plans to construct auxiliary canal just below border in Mexican territories to connect with Alamo, although this project involves danger of flooding land of both Mexicali and Imperial Valleys. Later this morning about 300 farmers representing all Ejidos and Colonias affected held outdoor mass meeting at office National Irrigation Commission. Meeting was orderly but Engineer Esquivel, Mexicali manager Commission,[26] stated farmers threaten to take matters in their own hands and with or without sanction of National Irrigation Commission and use [*using?*] all available trucks and machinery in Valley, will build connecting ditch direct from river to Alamo Canal, a distance of 500 meters on Mexican soil, unless something is done to supply water immediately. Farmers cannot understand reasons why with water available in river Alamo is so poorly

[23] Despatch 266 and subsequent despatches from Mexicali, not printed.
[24] Alamo Canal.
[25] A Mexican commission.
[26] Elijio Esquivel, manager of the Mexicali office of the National Irrigation Commission.

supplied and politics in United States and government red tape are blamed. Urgently request Department do everything possible to overcome impasse as good neighbor policy this section seriously threatened.

KETCHAM

711.1216M/6-2344

The Secretary of State to the Secretary of the Interior (Ickes)

WASHINGTON, July 17, 1944.

MY DEAR MR. SECRETARY: In your letter of June 23, 1944 [27] you stated that you were denying the request of Imperial Irrigation District [28] to use the All-American Canal for making deliveries of water to the Mexicali Valley, that you had no objection to the construction by Mexico of a temporary weir at Rockwood Heading, that you were reluctant to have the Bureau of Reclamation utilize the All-American Canal for making deliveries of water to Mexico, but that you were prepared to cooperate with this Department should the situation require emergency action. In my reply of July 5, 1944 [27] I stated that I had decided to authorize the American Boundary Commissioner to inform the Mexican Boundary Commissioner that these two Departments had no objection to the construction by Mexico of the temporary weir, provided that the construction plans were submitted to and approved by the Bureau of Reclamation and that the necessary arrangements were made with the Imperial Irrigation District.

I am now informed that, the appropriate Mexican authorities having approached the Imperial Irrigation District with the view of making the necessary arrangements for the construction of the temporary weir; this District, speaking through Mr. Evan T. Hewes, President, definitely refused to consider an arrangement of this kind. I am also informed through reports from the American Boundary Commissioner, the American Consul at Mexicali, and Mexican sources that the water supply situation in the Mexicali Valley has grown steadily worse and that the Mexican water users are now receiving no more than fifty per cent of their water requirements. Failure to secure an adequate water supply by other means may cause the Mexican Government to feel justified in attempting to cut a canal immediately below the boundary to connect the Colorado River with the Alamo Canal.

It is thus clear that an emergency has developed, and it would be appreciated if you would give further and immediate consideration to the matter. Should irrigation requirements, power production, con-

[27] Not printed.

[28] Letter dated May 4, 1944, addressed to the Secretary of the Interior from a public corporation of Southern California which operated facilities involved in carrying water from the Colorado River to the Imperial Valley (711.1216 M/2779).

servation measures, and other uses in the United States make it inadvisable so to increase the flow of the Colorado River at Rockwood Heading as to make it possible to divert an adequate flow into the Alamo Canal at this Heading, it would seem that the only alternative if irreparable damage to Mexican crops is to be averted, is for the Bureau of Reclamation to use, during this season only, the All-American Canal for supplying a reasonable quantity of water for Mexico's use. It is understood, of course, that this delivery would be made through the All-American Canal by the Bureau of Reclamation and not by the Imperial Irrigation District, and that this Department would make the necessary financial arrangements whereby Mexico, for this temporary use, would pay its proper share of the construction, operation, and maintenance costs of the works involved, as determined by the Governments of the two countries, although the delivery of water through this Canal need not await the completion of these negotiations.

This Department and the United States Section of the International Boundary Commission desire to cooperate in every feasible way in making the necessary arrangements to meet the present emergency in the Mexicali Valley.

Sincerely yours, CORDELL HULL

711.1216M/6–1644

The Department of State to the Mexican Embassy

MEMORANDUM

In further reference to the current water supply situation in the Mexicali Valley, referred to in Memorandum No. 6598 of the Mexican Embassy [29] and in this Department's Confidential Memorandum of July 6, 1944, the Department of State is glad to be able to confirm the information already given by telephone to the Mexican Embassy that on July 19, 1944, this Government through the Bureau of Reclamation began delivering water destined for the Mexicali Valley by means of the All-American Canal and Wasteway. The flow destined for Mexico began at 1000 cubic feet per second and will gradually be increased to reach 3,800 cubic feet per second on July 22, 1944.

In view of the emergency that was facing the Mexican water users, this Department undertook to secure the above mentioned solution to the Mexicali Valley water problem without having previously made a definitive agreement with the Mexican Government. The United States Commissioner on the International Boundary Commission, United States and Mexico, is being requested to draw up, in conjunction with the Mexican Boundary Commissioner, a draft agreement covering financial and other conditions to govern this temporary

[29] Memorandum dated June 16, 1944, not printed.

delivery by the United States of Colorado River water to Mexico. It is the view of the Department of State that this agreement is to be between the two Governments and that any payments that are to be made thereunder by the Mexican Government for the use of works and facilities controlled and operated by the Bureau of Reclamation will be made to the Government of the United States.

It should also be understood that the United States is not assuming any obligation to deliver water to Mexico by the above described means beyond the present emergency or in any event beyond the current irrigation season in the Mexicali Valley. Furthermore, delivery in this manner during the current season is not to be regarded as a precedent for the future.

WASHINGTON, July 22, 1944.

711.1216A/8–344

The Department of State to the Mexican Embassy

MEMORANDUM

Reference is made to recent conversations had by the American Embassy in Mexico City with the Mexican Foreign Office in regard to the critical situation that has developed in the Lower Rio Grande Valley of Texas by reason of the extremely low flow in the Rio Grande.

In accordance with these conversations the Department of State requests the good offices of the Embassy of Mexico with a view to having the competent department of the Government of Mexico release from El Azúcar Reservoir on the San Juan River up to thirty-five cubic meters of water each second for as long as thirty days in such manner that this water will reach the Rio Grande. The Department of State understands that, in view of the grave emergency in the Lower Rio Grande Valley of Texas, the two Commissioners on the International Boundary Commission, United States and Mexico, have already engaged in conversations upon this matter and, subject to formal action by the two Governments, have made preliminary technical arrangements to govern this release of water, which, it is understood, would be made without extra expense to Mexico and without charge to the United States.

This requested release of water from El Azúcar Reservoir, if made promptly, will enable the water users in the Lower Rio Grande Valley of Texas to supply their most urgent needs and will save them from great and irreparable losses.[30]

WASHINGTON, August 10, 1944.

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[30] Water released from El Azúcar Reservoir first appeared in the river at Rio Grande City on August 12 and supplied the irrigators of the Lower Rio Grande Valley of Texas, during the following 10 days, with approximately 20,000 acre-feet of water. Though not sufficient to counteract the drought, this release was of substantial benefit.

711.1216M/8–1444

The Secretary of the Interior (Ickes) to the Secretary of State

[Extracts]

WASHINGTON, August 14, 1944.

MY DEAR MR. SECRETARY: Reference is made to your letter of July 17 requesting the Bureau of Reclamation to use, for this season only, the All-American Canal for supplying a reasonable quantity of water for Mexico's use in view of the emergency then existing in the Mexicali Valley. . . .

. . . . . .

The Department acceded to your request of July 17 with the informal understanding that appropriate conditions would be requested by this Department to be incorporated in the agreement to be made by your Department with Mexico to protect adequately the rights and interests of the United States and of its citizens. It is suggested that such provisions incorporate the substance of the following conditions:

(1) That the use of the All-American Canal by the Bureau of Reclamation to deliver water through Pilot Knob Wasteway for irrigation in the Mexicali Valley is an emergency use, temporary in nature and limited to the year 1944;

(2) That such use of the All-American Canal shall be regarded by both governments as neither increasing nor decreasing whatever rights Mexico may now have to the waters or to the use of the waters of the Colorado River, and that the question of the quantum of such water rights shall be entirely unaffected by this use of the All-American Canal;

(3) That such use of the All-American Canal by the United States shall not be considered as establishing a precedent or recognizing any right in Mexico in or to the All-American Canal or other works utilized by the United States in making deliveries, and that such deliveries are made by the United States as a matter of comity between nations and not in recognition of any duty on the part of the United States to make deliveries of water to Mexico by means of the All-American Canal or other works constructed, operated or maintained by the United States;

(4) That the United States shall utilize the All-American Canal to make delivery of water for the Mexican use only when and to such extent as such deliveries do not interfere with the use of said canal for any and all other purposes as may be required by law of the United States or contract now or hereafter in existence, as conclusively determined by the Secretary of the Interior;

(5) That such use of the All-American Canal shall not require the storage or release of waters stored by Boulder Dam, Imperial Dam or other conservation works on the Colorado River constructed, operated or maintained by the United States;

(6) That failure to make any delivery as and when requested by Mexico shall not give rise to any claim for damages against the United

States, its officers or agents, and should any such failure occur, any claim for damages shall be waived.

As soon as possible this Department will submit to you its specific recommendations concerning the amount to be paid by Mexico as its proper share of the construction, operation and maintenance charges for the use of the works involved. It is understood, of course, that the "works involved" are confined to the works at Imperial Dam, the All-American Canal and Pilot Knob Wasteway and do not include facilities owned or operated by the Imperial Irrigation District needed to convey the water from Rockwood Heading to the border. It is not likely, however, that it will be possible to submit a definite figure until after the time that deliveries through the All-American Canal have ceased. Present indications are that this will be some time after the middle of September.[31]

Sincerely yours, HAROLD L. ICKES

711.1216M/11–1644

The American Commissioner, International Boundary Commission (Lawson), to the Secretary of State

EL PASO, TEXAS, November 16, 1944.
[Received November 20.]

SIR: During a recent conference with the Mexican Commissioner, Rafael Fernández MacGregor, he proposed that the Commission undertake, as soon as practicable, a joint investigation of conditions along the lower reaches of the Colorado River where the régime has been changed due to storage and diversion development in the United States, with a view to developing definite plans for adequate flood control structures necessary to assure the protection of lands in both countries.

In this relation, reference is made to a memorandum on this subject included in the Report of the American Section of the International Water Commission, United States and Mexico (71st Congress, 2nd Session—House Document No. 359, p. 186), which stressed the necessity of flood control on the Colorado River in Mexico as vital to the protection of the Imperial Valley as well as to Mexican lands. The changed régime of the river, since the completion of Boulder Dam, has only partly diminished this flood hazard. The flooding of cultivated land in Mexico has occurred often during the last few years and I believe that the proposed investigation is not only warranted but is urgently necessary in order to determine definitely the extent

[31] The Secretary of State answered this letter on August 28, 1944, assuring Secretary Ickes that careful consideration would be given to the conditions of the agreement itemized above (711.1216 M/8–1444).

to which cultivated lands in the Imperial Valley may be in danger, in the event of abnormal flash floods, especially on the Gila River.

Ample Congressional authority for the proposed investigation by this Section of the Commission exists under the provisions of the Act of August 19, 1935 (Public No. 286—74th Congress),[32] and it may be assumed that the Mexican Commissioner was assured of the availability of funds to carry out his Section's part of the investigation before making the proposal. The funds now available to this Section are not, however, sufficient to undertake the necessary field work.

The length of the river involved is about twenty miles in the United States and about sixty miles in Mexico. The section of the river which forms the international boundary line is, of course, the most important in so far as concerns the investigation, since a break from the increasing height of the river bed in that section might conceivably prove disastrous to lands in both countries. It follows that comprehensive studies of levees and other protective works, as well as careful hydrographic studies, must be made in order to decide upon a plan for adequate protective river canalization through this section of the river to the Gulf of California; and it is estimated that approximately $50,000 would be required for that purpose during the remainder of the fiscal year.

It is believed that certain protective measures on the Lower Colorado River are required regardless of ratification of the treaty signed February 3, 1944; and that the proposed joint investigations, necessary to determine the extent of the necessary measures, should be undertaken without delay.

In this connection, it occurs to me that the Administration's endorsement of the pending water treaty constitutes a recognition of the seriousness of the problems confronting our Government in respect of international streams; and, in view of Mexico's proposal made through its Section of the Commission, looking to a satisfactory solution of one of the major problems involved, that the President and the Bureau of the Budget may see fit to make available the funds necessary for that purpose.

I am convinced, after careful consideration, of the importance of the proposed investigations and, therefore, recommend that the Department consider the desirability of taking appropriate steps to obtain the funds necessary for that purpose.[33]

Very truly yours, L. M. LAWSON

[32] 49 Stat. 660.

[33] In a letter dated December 1, 1944, Joseph F. McGurk, Acting Deputy Director of the Office of American Republic Affairs, told Mr. Lawson that he recognized the importance of an early beginning of joint investigations. He said that the Department would take steps to secure the necessary funds, although it was doubtful that funds could be made available in time to undertake this work before the start of the next fiscal year. (711.1216M/11–1644)

711.1216M/11–2244

The Acting Secretary of State to President Roosevelt

WASHINGTON, November 22, 1944.

THE PRESIDENT: The undersigned, the Acting Secretary of State, has the honor to lay before the President, with a view to its transmission to the Senate to receive the advice and consent of that body to ratification, if his judgment approve thereof, a protocol, signed in Washington on November 14, 1944,[34] supplementary to the treaty between the United States of America and the United Mexican States relating to the utilization of the waters of the Colorado and Tijuana Rivers and of the Rio Grande (Rio Bravo) which was signed in Washington on February 3, 1944.

The treaty of February 3, 1944 was transmitted to the Senate by the President with his message of February 15, 1944, with a view to receiving the advice and consent of the Senate to ratification thereof. The texts of the treaty and of the President's message, together with the text of the report of the Secretary of State dated February 9, 1944, have been printed in Senate Executive A, 78th Congress, 2d Session. The treaty was referred to the Committee on Foreign Relations of the Senate on February 15, 1944.

The purpose of the protocol is to clarify the meaning and application of those provisions of the treaty which relate to the functions and jurisdiction of the respective Sections of the International Boundary and Water Commission in connection with the construction or use of works for storage or conveyance of water, flood control, stream gaging, or for any other purpose.

By its own terms the protocol is to be regarded as an integral part of the treaty of February 3, 1944 and shall be effective beginning with the day of the entry into force of the treaty, continuing effective so long as the treaty remains in force. Accordingly, after such time as the Senate may have given its advice and consent to the ratification of the treaty and protocol, the protocol should be ratified together with the treaty. It is provided in the protocol, as in the treaty, that the ratifications shall be exchanged in Washington.[35]

Respectfully submitted, EDWARD R. STETTINIUS, JR.

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[34] This protocol is the final revision of the draft joint memorandum of June 10 by the two Boundary Commissioners, printed on p. 1380.

[35] Ratifications were exchanged November 8, 1945. For text of treaty and protocol, see Department of State Treaty Series No. 994, or 59 Stat. (pt. 2) 1219.

AGREEMENT BETWEEN THE UNITED STATES AND MEXICO RESPECTING A FISHERIES MISSION

[For text of agreement effected by exchanges of communications at Mexico City April 17, May 22, July 22 and 27, and October 24, 1942; and exchange of notes dated September 7 and October 18, 1944, amending and extending the agreement, see Department of State Executive Agreement Series No. 443, or 58 Stat. (pt. 2) 1554.]

AGREEMENT BETWEEN THE UNITED STATES AND MEXICO RESPECTING THE ESTABLISHMENT OF AN AGRICULTURAL COMMISSION

[For text of agreement effected by exchange of notes signed at Mexico City January 6 and 27, 1944, see Department of State Executive Agreement Series No. 421, or 58 Stat. (pt. 2) 1425.]

NICARAGUA

EFFORTS BY THE UNITED STATES TO CLARIFY AND MAINTAIN ITS NON-INTERFERENCE POLICY IN NICARAGUA

813.00/1340a

The Secretary of State to Certain Diplomatic Representatives in the American Republics [1]

WASHINGTON, February 2, 1944.

SIRS: The Department has noted an increase in the scope and intensity of political activities in Central America in recent months. There appears to be a possibility that this may, in certain instances, lead to political turmoil. Domestic strife in any of the United Nations would, of course, be disquieting under the present circumstances, and our enemies would doubtless seek to derive advantage from it. In the course of these political activities many efforts have been made both by the Administration forces and the opposition to secure from the United States Embassy accredited to the country some sign of favor which might be effectively used for political propaganda. A basic tenet of this Government's policy—that of non-interference in the internal political affairs of the other American republics—is thus undergoing a severe test at a delicate moment.

The Department has noted the many ingenious devices by which the contending political factions have sought to draw United States officials into local politics. It has been much gratified to observe the skill and tact with which the officers of the respective missions have sought to escape from committing themselves. In more than one situation, as the missions reporting the incidents have pointed out, a refusal to act would have been interpreted as far more significant from the viewpoint of internal politics than a positive noncommittal gesture.

In view of the particularly delicate situation existing at the moment, the Department wishes to reiterate its injunctions against any avoidable act of omission or commission which might be interpreted as reflecting on the local political situation. Excessive public friendliness toward the Administration in power or the participation of United States officials in pro-administration meetings of a political nature would be almost as undesirable as the identification of the Embassy with opposition to the existing Administration. It is to be remem-

[1] Sent to Costa Rica, El Salvador, Guatemala, Honduras, and Nicaragua.

bered that there is bitter open or covert opposition to virtually all of the administrations in power; that it is almost inevitable that this opposition will eventually come to power in some countries; and that the rule of non-interference in internal politics applies even to those regimes which, in seeking to perpetuate themselves in power, have gone out of their way to emphasize their friendship for the United States. The respective missions will doubtless find it very difficult to define the line where friendliness toward the government of an allied sister Republic ends and friendliness toward a particular political regime begins; but the Department is confident that they will handle this problem with particular discretion.

The Department would appreciate the views of the missions to which this instruction is addressed as to the possibility of making its policy of non-intervention in any way clearer in those countries in which doubts regarding this point may still linger in the popular mind.

Very truly yours, For the Secretary of State
E. R. Stettinius, Jr.

817.00/9055

Memorandum of Conversation, by the Assistant Chief of the Division of Caribbean and Central American Affairs (Cabot)

[Washington,] May 10, 1944.

Ex-Presidents Chamorro and Sacasa called on Mr. Duggan[2] at their request. After a lengthy exchange of amenities, Dr. Sacasa launched into a rambling discussion of political conditions in Nicaragua. He said that he had always been a staunch upholder of Pan-Americanism, denounced the present regime in Nicaragua, referred to previous political situations which had arisen in Nicaragua with the obvious intimation that we should intervene in the present situation with our moral influence, and said that Central American public opinion was becoming more and more bewildered at the present trend of the Good Neighbor Policy, which appeared to be supporting dictatorships.

After Dr. Sacasa's disjointed comments had run their lengthy course, Mr. Duggan briefly re-enunciated our policy as to non-intervention. General Chamorro then pointed out that the American Ambassador,[3] by accompanying President Somoza on his political trips, appeared to be placing the prestige of the United States behind Somoza. Mr. Duggan said that it was his understanding that the Ambassador had stopped going on political trips with President Somoza since the beginning of the political compaign, and turned to

[2] Laurence Duggan, Director, Office of American Republic Affairs.
[3] James B. Stewart.

Mr. Cabot for confirmation. Mr. Cabot said that Mr. Stewart had in fact been going on less political trips recently with President Somoza in order to avoid any appearance of partisanship in Nicaraguan internal politics. After a further exchange of amenities the two ex-Presidents departed.

817.00/9058

The Ambassador in Nicaragua (Stewart) to the Secretary of State

No. 2265 MANAGUA, May 20, 1944.
[Received June 2.]

SIR: I have the honor to invite the Department's attention to the question as to what should be the actuation and duty of American officers of the Nicaraguan Military Academy in the event of a revolutionary disturbance in Managua.

It will be recalled that General LeRoy Bartlett, Jr., G.N.,[4] the Director General of the Military Academy, is an officer of the United States Army and that Captain George C. Smith, G.N., of the Academy is an American citizen civilian.

There appears to be no indication in the contract under which General Bartlett serves the Academy as to what his actuation and duty should be in case of a revolutionary disturbance in Managua. This question is further complicated by the fact that a considerable store of ammuniton, etc. is currently stored at the Academy, the possession of which could easily become an objective of such a disturbance. Some of this belongs to the Military Mission and is the property of the United States Government.

Yesterday I discussed the subject of this despatch with General Bartlett. He stated that he has received no instructions from Washington. However, the late Colonel Carl H. Strong, Assistant Chief of Staff for Intelligence, Panama Canal Department, told him that in case of a disturbance in Managua he should turn the Academy over to the highest ranking Nicaraguan officer and report to the American Embassy. On the other hand Colonel Frederick Cruse, General Bartlett's predecessor at the Academy and now Military Attaché for the Central American countries, said that in his opinion he should defend the Military Academy against any aggression or attempts to enter it. He added that President Somoza had stated that the cadets were non-political and would not be used in a revolution. General Bartlett remarked to me that President Somoza has given him no such assurance but that Colonel D'Arbelles, Chief Instructor of the Academy, claims that the President refers to the cadets as his "Guardia de Choque."

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[4] Guardia Nacional (National Guard of Nicaragua).

If it is deemed advisable by the Department and the War Department that instructions be issued, I respectfully suggest that their tenor be made known to the Embassy and possibly to the Nicaraguan Government so that it would know in advance what to expect of these officers.

The above does not indicate that conditions in Managua are abnormal in any way or that any such disturbance is foreseen.

Respectfully yours, JAMES B. STEWART

817.415/6–2944 : Telegram

The Ambassador in Nicaragua (Stewart) to the Secretary of State

MANAGUA, June 29, 1944—6 p. m.
[Received 11 : 26 p. m.]

400. President Somoza has issued a public invitation to all the citizens of Nicaragua to join him in a manifestation in honor of the United States on July 4. He informed me about 10 days ago that he will hold a military parade in the Loma and that thereafter he will lead a procession of troops, the band and the public to the Embassy where in addition the school children of Managua will be drawn up in formation carrying only American and Nicaraguan flags. The President also stated his desire to address the people from the balcony of the Embassy.

The President has assured me that the manifestation will not assume the character of a demonstration of the Liberal Party. However, evidence has come in to the effect that the opposition intends if possible to utilize the occasion for anti-Somoza demonstrations. I believe that such plans will have small chance of success in view of the precautions which will undoubtedly be taken. Nothing which might occur would be likely to have any anti-American aspect.

I believe therefore that the President rather than the Embassy is really taking the small risk which is run in this matter and I have not thought it wise to suggest to him that he not come to the Embassy since I am sure that he would be deeply offended. I consider, however, that the Department will wish to be informed in advance of the above described situation.

STEWART

811.415/6–2944 : Telegram

The Secretary of State to the Ambassador in Nicaragua (Stewart)

WASHINGTON, June 30, 1944—7 p. m.

288. The Department feels that in view of the internal political situation in Nicaragua [5] it would not be advisable for President

[5] Reference is to an outbreak of political disturbances on June 27.

Somoza to use the Embassy balcony as a rostrum on July 4, as mentioned in your 400 of June 29, 6 p. m. You should find some discreet way of bringing about the abandonment of this part of his plans. The Embassy's attitude toward the manifestation should be one of cordial but circumspect cooperation.

HULL

817.00/9058

The Secretary of State to the Ambassador in Nicaragua (Stewart)

No. 1271 WASHINGTON, July 5, 1944.

SIR: Reference is made to the Embassy's despatch no. 2265 of May 20, 1944, with regard to the attitude which should be adopted by the Director of the Military Academy of the National Guard of the Republic of Nicaragua in the event of a revolutionary disturbance in that country.

The Department concurs in the recommendation of Colonel Carl H. Strong, Assistant Chief of Staff for Intelligence, Panamá Canal Department, United States Army, that should any such unfortunate development take place, in order to avoid any involvement whatsoever in the internal political affairs of Nicaragua and any embarrassment to this Government, the Director should turn over command of the Military Academy to the highest-ranking Nicaraguan officer and should repair immediately to the American Embassy. In such an eventuality, the Ambassador is authorized formally to notify the Nicaraguan Government of the suspension of the agreement signed on May 22, 1941, and extended by an exchange of notes dated October 22 and 25, 1943,[6] in accordance with Article 5 (*b*) or Article 6 thereof, whichever he may deem most expedient under the circumstances then prevailing.

The Department does not believe that these instructions to the Director of the Military Academy should be communicated to the Nicaraguan Government, since they might give that Government the impression that a revolution is considered imminent by the Embassy or by the Department. However, should President Somoza initiate a discussion and ask the Director what his orders are, the latter would be authorized to make his position clear.

Captain George C. Smith, G. N., is not an official of the United States Government, but it is believed that the Embassy might properly point out to him that in so far as he may become involved in the in-

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[6] For text of agreement of 1943 continuing in force the agreement of May 22, 1941, respecting the detail of a military officer to serve as Director of the Military Academy of the National Guard of Nicaragua, see Department of State Executive Agreement Series No. 344, or 57 Stat. (pt. 2) 1109.

ternal political affairs of Nicaragua, he might forfeit his right to protection by this Government.

Very truly yours, For the Secretary of State:
L[AURENCE] D[UGGAN]

817.00/7–744 : Telegram

The Ambassador in Nicaragua (Stewart) to the Secretary of State

MANAGUA, July 7, 1944—noon.
[Received 5 : 54 p. m.]

429. The Embassy learned yesterday afternoon that Colonel Lindberg [7] as President of the Junta de Control de Precios y de Comercio had signed and circulated an order as [*to*] the proprietors of all business houses in Managua stating that if any citizen closed the doors of his establishment the Government would appoint an interventor to assume charge of it for the purpose of selling off the stock at cost and he would be denied the right again to engage in business. If a foreigner closed the doors of his place of business he would be subject to expulsion from the country.

Colonel Lindberg is criticized for his action in this morning's *La Prensa* not only because constitutional guarantees, notably article 60, it is argued, have been infringed but because an alien has intervened in the internal affairs of Nicaragua.

Colonel Lindberg has informed me that he signed the order at the request of President Somoza.

STEWART

817.00/7–844 : Telegram

The Secretary of State to the Ambassador in Nicaragua (Stewart)

WASHINGTON, July 8, 1944.

296. The Nicaraguan Embassy here, under direct instructions from President Somoza, has expressed the President's indignation that an opposition political group on July 4 should have used the American flag in a parade and meeting.

Please report by telegram regarding this incident.

HULL

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[7] Col. Irving A. Lindberg, Collector General of Customs and High Commissioner in Nicaragua; an American citizen.

817.00/7–944 : Telegram

The Ambassador in Nicaragua (Stewart) to the Secretary of State

MANAGUA, July 9, 1944—noon.
[Received July 10—1 : 03 a. m.]

435. Department's 296, July 8. A small group carrying a large American flag was stationed in the street in front of the Embassy on July 4 as the military parade came down from the Loma parade ground. Just as the cavalry approached, the group sought to prevent its access to the street in front of the offices by placing the flag across the line of march. The cavalry carefully avoided touching the flag and circumvented it but Colonel d'Arbelles, who was in charge of the arrangements, sent a plain clothes guard to obtain possession of the flag so that the crowd headed by President Somoza could proceed. The officer obtained possession of the flag after a short scuffle during which, however, it was never permitted to touch the ground. He [handed] the flag over [to] the Acting Military Attaché [8] standing in the Embassy entrance, who later burned it.

There were many American flags [in?] the demonstration. The streets were draped with Nicaraguan and American flags. The bearers of the flag in question intended no insult to the United States but they were oppositionists and hoped to provoke an incident which they failed to do. Embassy officers who were eye witnesses of the affair saw no reason to take umbrage particularly since the Government took immediate steps to remove the flag from the hands of the hotheads.

I had not contemplated any comment. Foreign Secretary Argüello, however, called on me the next afternoon at the insistence of the President to suggest that I make a statement urging no unauthorized use of the American flag. After full consideration I told the Foreign Minister the next day that I thought it would be a mistake from the standpoint of both the Nicaraguan Government and of the Embassy to give publicity to the incident because it would only invite further use of the flag by the opposition, not only in Managua but in other cities. I felt that such a statement would be used by the President to endeavor to convince the public of our support in the present unrest. I told the Foreign Minister that such a statement, moreover, would be likely, in my opinion, to put ideas into the heads of the opposition who would continue to use our flag to provoke incidents. President Somoza spoke to me about this yesterday implying that he expected some comment from the Embassy. I repeated to him my position in the matter. It has been evident that the President has been seeking any straw in the wind which would indicate to the public our support in these troublous times. I have been most careful not to provide this.

STEWART

[8] Maj. Frederick B. Judson.

817.00/7–744 : Telegram

The Ambassador in Nicaragua (Stewart) to the Secretary of State

MANAGUA, July 11, 1944—5 p. m.
[Received July 12—3:45 a. m.]

440. There follows in translation an item which appeared in the local press today: [9]

"We were informed by a high public official that the Nicaraguan Ambassador in Washington, Dr. Guillermo Sevilla Sacasa, informed the President of the Republic that he had received from the Secretary of State of the United States, Mr. Cordell Hull, 'expresiones de simpatía' from the North American Government for President Somoza for the gentlemanly and skillful way in which he was able to subdue the recent minor disturbances in Managua."

I would appreciate learning for my own information what the Secretary said to the Nicaraguan Ambassador.

STEWART

817.00/7–1544 : Telegram

The Secretary of State to the Ambassador in Nicaragua (Stewart)

WASHINGTON, July 15, 1944—6 p. m.

304. The Department is somewhat perturbed at the efforts reported in your telegrams nos. 435, July 9, noon and 429, July 7, noon, to involve the United States in the internal political affairs of Nicaragua. The Department has been giving earnest consideration as to ways in which it could be made clear both to the Government and to the opposition in Nicaragua that the United States does not condone the use of the United States flag for political purposes and does not countenance the issuance by an American citizen,[10] holding a Nicaraguan Government position with the approval of the Secretary of State,[11] of orders to local shopkeepers having obvious political implications. The Department wishes to accomplish this without giving unnecessary offense to the Nicaraguan Government and without adding fresh fuel to the disturbed political conditions prevailing in Nicaragua.

You are requested to inform the Department regarding the extent to which, in your opinion, the position of the United States is misunderstood in Nicaragua, particularly in consequence of the Nicaraguan Government's efforts to mislead Nicaraguan public opinion, notably as reported in your Telegram No. 440 of July 11, 5 p. m. (For your personal and confidential information only, the Secretary has not spoken to the Nicaraguan Ambassador since June 26. The Ambas-

[9] *Flecha*, July 10, 1944.

[10] Colonel Lindberg.

[11] For correspondence concerning consideration of terminating the official connection of the United States with the High Commission and Customs Collectorship of Nicaragua, see pp. 1418 ff.

sador appears to have reported an exaggerated version of a conversation he had with another Department official.) The Department would also appreciate your suggestions as to the manner in which our position might appropriately be made clear.

HULL

817.00/7–1944

The Ambassador in Nicaragua (Stewart) to the Secretary of State

No. 2413 MANAGUA, July 19, 1944.
[Received July 25.]

SIR: I have the honor to refer to the Department's telegram no. 304, dated July 15, 6 p. m., 1944, concerning certain Nicaraguan efforts to involve the United States in Nicaraguan political affairs and the possibility that our attitude thereto may be misunderstood and require clarification. The Department's telegram alludes specifically to the misuse of the American flag on July 4, 1944; to the order issued by Colonel Irving A. Lindberg, as President of the Junta de Control de Precios y Comercio, on July 6 to Nicaraguan merchants not to close their shops in support of the projected general strike, under penalty of sanctions; and to a press notice which stated that a high Nicaraguan official had given information to the effect that Ambassador Sevilla Sacasa had reported the receipt from the Secretary of expressions of sympathy for the "gentlemanly and skillful manner in which President Somoza was able to subdue the recent minor disturbances in Managua."

In amplification of previously submitted reports regarding these incidents, the following is submitted:

The Embassy's telegram no. 435, dated July 9, 12 noon, and its despatch no. 2379 of July 10 [12] described the so-called flag incident. There have been no subsequent attempts to use the American flag in unauthorized ways. It will be recalled that prior to the outbreak on June 27 of the recent political disturbances, President Somoza had determined to give unusual éclat to the celebration of our national holiday. He let me know through an aide what his plans were. I made two suggestions regarding them. I said that I hoped that the celebration might be one of all the people and not merely of the Liberal Party. I later, upon the Department's suggestion, said that I hoped it would be as feasible for the President to address the crowd from a platform across the street from the Embassy as from the Embassy balcony. To both of my suggestions the President acceded. In my judgment, the outbreak of political disturbances should have counseled the President to abandon the July 4th celebration. Since I had not suggested that

[12] Despatch not printed

the celebration be held, however, I did not think it proper for me to suggest to him that he abandon his plans, particularly since they were ostensibly contrived to do honor to our country.

I feel that it was wise not to pursue the suggestion made to me by Foreign Minister Argüello at the President's request, and later by the President personally, that the Embassy make some statement deploring the use of the flag for partisan political purposes. In declining, I am sure that I was not unmindful of the respect due our flag, nor was I condoning its use for political purposes. I am sure that the President wanted such a statement—to indicate that the United States was supporting the existing administration in the political crisis and that we were unsympathetic toward the opposition. I am also sure that such a statement would have been widely publicized by President Somoza. Its effect, on the one hand, would have been to put ideas in the heads of the opposition for further misuse of our flag, and, on the other, it would have been an excuse for the President to resort to force to prevent it. The Embassy, of course, is unable to prevent the misuse of our flag in Nicaragua except by recourse to the constituted authorities, who would then have felt that they had a mandate from the Embassy to take whatever measures might be necessary to prevent it.

By refraining from any statement—which, in any event, seemed hardly justified by the circumstances of the incident—there have been no further incidents of the sort and the matter is now almost forgotten. If, by chance, it is felt that some action should have been taken at the time, I am convinced that no purpose would be served by resurrecting the matter now.

With reference to Colonel Lindberg's order to merchants, which was the subject of the Embassy's telegram no. 429, dated July 7, 12 noon, it should perhaps be pointed out that the order was issued and circulated before the Embassy was apprised of it. Colonel Lindberg issued it at the request of President Somoza. From the President's viewpoint, it had in all probability two advantages. It was issued by an American, which could lead to the conclusion that the action was taken with the consent of the United States, and it was issued, moreover, by an American who has a reputation for strict enforcement of laws and regulations. Merchants thought that the Colonel's order would be enforced.

The order was most effective. The general strike which was projected in imitation of that staged in San Salvador was a "fracaso" because of the order and because, also, labor decided to support the President (see the Embassy's despatch no. 2394, dated July 13, 1944 [13]). The failure of the strike, the loyalty of the National Guard, and the

[13] Not printed.

timely return to the "regular" Liberal fold of such prominent dissidents as ex-President Moncada [14] and Senator Carlos A. Morales saved the day for President Somoza.

It may be argued in favor of Colonel Lindberg's action, which proved so successful, that, as Acting President of the Junta de Control de Precios y Comercio (in the absence of Major Downing [15]), it was his duty to issue the order on being requested by the President. There may be some doubt as to this point, for such an order would seem logically to fall within the police power of the Ministry of Government. It would have been difficult for Colonel Lindberg to have refused to sign the order, however, and insistence of the President might well have forced his resignation over the point.

The control exercised by Colonel Lindberg and Major Downing over the Junta has been of inestimable value to the United States in controlling imports and distribution. From one viewpoint—granted that war conditions necessitated the setting up of such controls—it was very advantageous to have Americans in charge of their functioning; from another—and thinking in terms of after-the-war trade—it has been unfortunate that Americans were placed in the position of denying Nicaraguans import licenses and of setting ceiling prices at which American goods might be sold in Nicaragua.

The attitude of Major Downing in cooperating with the Embassy has been exemplary, and until the present incident we have had no cause to complain during the briefer incumbency in the Junta of Colonel Lindberg. In the present case, I feel that Colonel Lindberg should have consulted the Embassy before signing an order which had obvious political implications, and I would have been glad to have interceded with the President to relieve him of the necessity of doing so.

I believe it would now be proper, should the Department desire to instruct me in that sense, to remind Colonel Lindberg that he should henceforth take every precaution against becoming involved in Nicaraguan political affairs and that in any matter which presents political aspects he should consult the Embassy in advance. I feel that such a comment would be well taken by Colonel Lindberg, although I have no doubt he would report the matter to President Somoza.

With reference to the news item which appear[ed] in *Flecha*, issue of July 10, and which was reported in my telegram no. 440, dated July 11, 5 p. m., 1944, I entertain little doubt that the item was inspired either by Ambassador Sevilla Sacasa, by President Somoza, or by one of his henchmen. It appeared at a time when the President was eager to obtain any evidence, however small, that he had the support of the United States.

[14] José Maria Moncada, President of Nicaragua 1929–1932.

[15] Maj. Thomas G. Downing, President of the Junta, was also Assistant Collector of Customs in Nicaragua; an American citizen.

The item, however, appeared in only one newspaper and, except for a protest to me by Deputy Octavio Pasos Montiel, no other comment concerning it has come to the attention of the Embassy. The Nicaraguan public is accustomed to find items of this sort in its press and the form which it took may well have indicated that it was unofficial and unreliable. Its form, moreover, would prevent the placing of responsibility. Furthermore, it is now forgotten, and I doubt whether any action with reference to it would be desirable.

There can be no doubt that President Somoza is fully aware of the attitude of the United States with respect to intervention in Nicaragua's political affairs. I have repeated to him time and again that we do not intervene, and, even without this, he is surely aware that non-intervention is one of the principal tenets of the Good Neighbor Policy—for us, for the other American republics, and for him. As has been elsewhere reported, the neutral policy of the Embassy during the recent disturbances in Nicaragua has proved that we mean what we say, if there was previously any doubt. So successful was our demonstration that, as I have also said elsewhere, the President has showed evidence of annoyance.

The opposition, likewise, has had every opportunity to weigh our neutral attitude. During the recent crisis, every oppositionist who called has been received either by me or by one of my officers. In every case, we have explained, after listening to the protests which have been advanced against President Somoza and his government, that their complaints are a Nicaraguan matter, in which we can take no part; that we are guests in this country; and that we can make no comment or venture any suggestions. The opposition, I am convinced, fully understands our attitude. However, it has not failed to criticize me and the Embassy for supporting the Somoza regime, although we have been most careful during the recent incidents not to do so—even incurring the President's annoyance by our course.

In my opinion, any public attempt on our part to clarify our attitude to the opposition, or to the President, or both, would be tantamount at this time to intervention. If we indicated disapproval of the opposition's use of our flag, the act would be seized upon by the President as United States support. On the contrary, if we voiced any criticism of the Government, it would be seized on by the opposition as a basis for further agitation and perhaps revolt. I am convinced that silent neutrality is the better course, and this is what I have been observing. Any other would give both offense to the Government and disturb the tranquillity which has recently returned to Managua—at least for the time being.

Respectfully yours, JAMES B. STEWART

817.00/7–2544 : Airgram

The Secretary of State to the Ambassador in Nicaragua (Stewart)

WASHINGTON, July 25, 1944—5:30 p. m.

A–260. The Department has given careful consideration in recent months to the status of the Corn Islands.[16] As you are doubtless aware the Bryan Chamorro Treaty provided that they should be subject exclusively to the laws and sovereign authority of the United States. The United States has never, however, asserted its jurisdiction over them, except for a strip of land in connection with the establishment of a lighthouse in 1924. The Department understands that the Nicaraguan authorities have maintained *de facto* jurisdiction over those islands and that they have been used from time to time as a prison.

In view of the publicity which has been given to recent political disturbances in Central America,[17] the Department is somewhat perturbed at the use of these islands for the detention of political prisoners, which you mention in your telegram no. 448 of July 14, 3 a. m.[18] You are requested to take up this matter orally with President Somoza and to point out that some publicity has already been given to this incident. You should emphasize that this may lead to embarrassment both for the United States and for Nicaragua. You should then request that the practice of detaining political prisoners on the Corn Islands be abandoned.

Please report the results of your representations.

HULL

817.00/8–1744

The Ambassador in Nicaragua (Stewart) to the Secretary of State

[Extract]

No. 2471 MANAGUA, August 8, 1944.
[Received August 15.]

SIR: . . .

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As was reported in the Embassy's telegram no. 505, dated August 7, 5 p. m.,[18] President Somoza has acceded to the suggestion made him by the Embassy at the Department's request that the Corn Is-

[16] Two small islands about 40 miles off the east coast of Nicaragua, leased by Nicaragua to the United States Government in 1916 for a term of 99 years as protection for a possible canal across Nicaragua. For text of the Bryan–Chamorro Convention of June 24, 1916, which effected this lease, see *Foreign Relations*, 1916, p. 849. For correspondence on the early developments of this convention, see *ibid.*, 1913, pp. 1021 ff.

[17] For correspondence on revolutionary movements in El Salvador and Guatemala, see pp. 1087 ff., and pp. 1132 ff., respectively.

[18] Not printed.

lands shall not henceforth be used to detain political prisoners. The Department based its suggestion on the fact that the Islands were leased to the United States for an initial period of 99 years by the Bryan–Chamorro Convention of June 24, 1916, and that during the period of the lease "they shall be subject exclusively to the laws and sovereign authority of the United States . . .",[20] as well as on the possibility that publicity arising from the detention of political prisoners there might be unfortunate for the interests of both countries.

In acceding to my suggestion, President Somoza agreed that publicity of the sort mentioned might be embarrassing to both countries and that this would lead him henceforth not to detain political prisoners there. He added, however, that he thought Nicaragua had a legal right to use the Islands for that purpose. I made no comment regarding this latter assertion, nor did the President pursue the matter. I am therefore unaware what the President considers Nicaragua's legal rights to be. He may believe, of course, that since the United States has failed to assume the jurisdiction over the Islands for which the Convention provided, and since it has likewise failed to assume responsibility—financial or otherwise—for the government of the Islands, Nicaragua has been forced to maintain its jurisdiction lest, in the absence of all government, lawlessness reign. From this premise, he may, of course, argue that the use of territory over which Nicaragua maintains *de facto* jurisdiction for the detention of political prisoners is legal. In any event, it should be noted here that the President's acceptance of the Department's suggestion was on the basis of the possible ill effects of publicity and not on a legal one. No publicity, it may be added, suggesting the misuse of Great Corn Island in this respect has occurred in Nicaragua during the recent incidents. The matter escaped the oppositionists.

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Respectfully yours, JAMES B. STEWART

817.00/7–1944

The Acting Secretary of State to the Ambassador in Nicaragua (Stewart)

No. 1320 WASHINGTON, August 12, 1944.

SIR: The Department has received your despatch no. 2413 of July 19, 1944 in which you suggest, in answer to the Department's telegram no. 304, July 16 [*15*], 6 p. m., that Colonel Lindberg be admonished against becoming involved in Nicaraguan political affairs.

Your attention is invited to the Department's telegram no. 210 of May 19, 8 p. m., 1942.[21] You are instructed to address a letter to

[20] Omission indicated in the original despatch.
[21] Not printed.

Colonel Lindberg, pointing out to him that, in issuing the order forbidding shops to close under pain of drastic penalties, he flagrantly violated the admonition which the Embassy then gave him at the Department's instructions that under such circumstances he should consult the Embassy. You should emphasize to him that his action has occasioned serious embarrassment to this Government in maintaining its policy of non-intervention with respect to the internal affairs of other American Republics, since he is an American citizen and holds the position of Collector of Customs with the Secretary of State's approval.

It has also come to the Department's attention that the Nicaraguan authorities have endeavored to have Colonel Lindberg send tendentious reports to an American newspaper regarding political developments in Nicaragua. You should point out to Colonel Lindberg orally that he should refrain from sending such tendentious reports.

Yours very truly, EDWARD R. STETTINIUS, JR.

710.11/11–144

The Secretary of State to the Ambassador in Nicaragua (Stewart)

No. 1391 WASHINGTON, November 1, 1944.

SIR: The Department has been much concerned at reports which have been reaching it indicating a widespread misunderstanding by many of the peoples of this hemisphere of this Government's policy of non-intervention. Charges have been made with increasing frequency that, by furnishing arms and ammunition to certain Governments under Lend-Lease, the United States has been supporting dictatorships and has enabled them to remain in power by force. It is, of course, the fact that Lend-Lease armaments were furnished under agreements entered into when there was a definite threat of invasion of the continent, and that they were so supplied solely for the protection of the hemisphere against that threat.

This Government's attitude toward other governments should be quite clear to all the world. The Government of the United States desires to maintain friendly relations with all countries. The fact that such relations are maintained does not necessarily imply that we approve all such governments. It is widely recognized that the many revolutions which have periodically harassed the countries of America have been due primarily to the existence of military dictatorships which could not be unseated by any other means. It is equally realized that the Governments of a number of the other American Republics did not come to power through democratic processes, that some have maintained their positions unconstitutionally, and that similar régimes may arise in the future. These situations are to be deplored, but it is no function of the Government of the United States

to attempt to impose the practice of democracy upon other governments or peoples. Furthermore, the Government of the United States is obligated by treaty [22] to refrain from intervening in the internal concerns of other countries. While the Government of the United States intends to observe such treaty commitment, and does not intend to deviate from its policy of non-intervention, and while the Department will continue to maintain cordial relations with all established and recognized governments, it is not incompatible with those policies to state unequivocally the self-evident truth that the Government and people of the United States cannot help but feel a greater affinity and a warmer friendship for those governments which rest upon the periodically and freely expressed consent of the governed. You are authorized to use the foregoing statement of the attitude of this Government in your private conversations, at such time or times as you may deem appropriate, so as to clarify our position in these matters.

Very truly yours, For the Secretary of State:
A. A. Berle, Jr.

ARRANGEMENTS REGARDING THE CONTROL OF EXPORTS FROM THE UNITED STATES TO NICARAGUA [23]

103.9169/1786d : Airgram

The Secretary of State to the Ambassador in Nicaragua (Stewart)

Washington, January 8, 1944—6 p. m.

A–12. From the standpoint of implied procedure, the Department is concerned over the action of the Nicaraguan Country Agency [24] as indicated in your A–512 of December 14, 1943,[25] stipulating that, despite the suggested "roll-back" in Decentralization,[26] the Nicaraguan Government will require the continuance of Import Recommendations for all commodities imported into Nicaragua.

The Department implies from this action that the Nicaraguan authorities are using the Import Recommendation form as an exchange control permit, justifying its continued use for exchange control reasons. While the Department does not question the authority of the Nicaraguan Government to institute exchange control documentation (providing such procedures are not discriminatory and with due regard to existing conventions) the Department is extremely reluctant to see the Import Recommendation Form, as such, incorporated into exchange control procedures. The Decentralization Plan was pre-

[22] Reference is presumably to the treaty of 1923; see footnote 24, p. 1140.
[23] Continued from *Foreign Relations*, 1943, vol. v, pp. 106–132, and pp. 262–267.
[24] The office which administered import controls.
[25] Not printed.
[26] For correspondence and circular instructions on the decentralization of trade controls to individual countries and on the proposals to modify this plan, see pp. 650 ff. and pp. 738 ff.

sented to the Nicaraguan Government as an emergency measure arising out of supply and shipping restrictions, and the Import Recommendation document, with the extensive information required thereon, was designed to facilitate the licensing and distribution of essential commodities during a period of economic emergency. While an economic emergency still exists, the situation is improving and the need for such extensive controls no longer apply to all commodity groups.

Previous to the existence of the Decentralization Plan, and in past years, the Nicaraguan Government undoubtedly utilized some other documentary form for exchange control purposes. The Embassy will realize that it would be highly preferable to revert to such previous documentary forms for exchange control purposes, rather than to utilize the Import Recommendation Form in that connection. In practical operation there must be of course some coordination between the Import Recommendation Form and the granting of the exchange permit, but our Government considers that the Import Recommendation Form is a document devised for special emergency purposes, and that its existence is not justified when the emergency is ameliorated in part or in whole. The objective of our Government is to relieve foreign commerce from excessive documentation as typified by the Import Recommendation Form as rapidly as conditions permit, but in an orderly and progressive manner as indicated in the "roll-back" of certain commodities already proposed.

The Embassy is requested to inform the Department if the Department's surmise is correct regarding the intention of the Nicaraguan authorities to incorporate the Import Recommendation Form as a control document within the exchange permit procedures and if the Nicaraguan Government at present requires exchange permits for all imported commodities irrespective of supply conditions in the United States. An immediate reply would be much appreciated.

HULL

810.24/485

The Ambassador in Nicaragua (Stewart) to the Secretary of State

[Extracts]

No. 2023 MANAGUA, February 26, 1944.
[Received March 8.]

SIR: I have the honor to refer in general to the Decentralization Plan of Export Control, to the Department's circular telegram dated February 12, 3 p. m., and to the Embassy's A–23, dated January 18, 1944, 10:30 a. m.,[27] wherein reference is made to the imminent establishment of a comprehensive control over all imports into Nicaragua

[27] Neither printed.

from all countries, and to report that on February 21, 1944, with the issuance of an Executive Decree, the new system took effect on February 25, 1944.

Since the issuance of this Decree, the Country Agency has agreed to comply with the so-called "Roll-Back" of decentralization and the use of import recommendation forms will be limited solely to those commodities which, by reason of continued supply and shipping restrictions, require the maintenance of the control measures encompassed by the Decentralization Plan.

Briefly, the procedure adopted makes an approved Import Permit (to be distinguished from the Import Recommendation already in use) a prerequisite to all importations except imports of such products from the United States or Canada as continue to fall within the scope of the decentralization procedure. That is to say, the Import Permit will apply to all commodities in free supply. All decentralization-controlled commodities will continue to be handled by means of the Import Recommendation; but non-decentralization imports, that is, goods in free supply from the United States or Canada, together with all imports from all other countries, will be brought within the new procedures established by the Country Agency.

The significant new developments which the new regulation embodies are, then, twofold: first, a reversal in the attitude heretofore adhered to by the Country Agency by the acceptance of the gradual and orderly withdrawal of decentralization controls from certain commodities previously controlled; second, the establishment for the first time of a comprehensive control over all imports regardless of country of origin, whereas, up until the present, control has been exercised only for imports emanating from the United States and Canada.

. . . . . .

The Country Agency felt impelled to broaden its regulatory activity in this manner for the following reasons: (1) to bring within the Government's control the importation of commodities from those countries for which no control had previously been established; (2) the necessity of keeping the volume of imports within the range of Nicaragua's ability to pay, thus precluding the occurrence of a situation which might precipitate a second frozen commercial debt; and (3) because such an extension of control is considered essential to effective price control.

Respectfully yours, JAMES B. STEWART

810.24/494

Memorandum of Conversation, by the Assistant Chief of the American Republics Requirements Division (Effland)

[WASHINGTON,] March 25, 1944.

Participants: Mr. Fowler, TA [28]
Mr. Leddy, TA
Mr. Keeler, TA
Mr. Cochran, CCA [29]
Mr. Lawson, American Embassy—Managua [30]
Mr. Effland, RAR

Mr. Lawson gave the following background for the new import permit system: (1) the system is almost identical with that in operation prior to the decentralization plan; (2) the import permit system rather than exchange control as such was adopted because it proved more effective as a means of administering exchange distribution; (3) the system was designed by the Nicaraguans to favor trade with the United States, since exchange was being wasted on purchases of shabby goods from Mexico; (4) administration of the system is in the hands of an American; (5) the Embassy has excellent relations with the Nicaraguan authorities and has merely to suggest a change if discrimination appears.

Discussion brought out the fact that the Junta de Control publishes daily a list of permits approved, which tends to prevent discrimination.

Mr. Effland stated the FEA [31] arguments, principally the danger of a precedent which other Central American Governments might follow under less fortunate circumstances.

Mr. Fowler felt that there was no substantive distinction between exchange control and the import permit system. No one could suggest a system to replace the present one, which would solve the peculiar Nicaraguan problem.

Everyone was in agreement that (1) we should rollback decentralization, and (2) no protest should be made against the new import permit system, although we shall reserve our rights under the trade agreement (this specifically provides for publication of quotas on items under import control).[32]

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[28] William A. Fowler, Chief of the Division of Commercial Policy.
[29] William P. Cochran, Jr., of the Division of Caribbean and Central American Affairs.
[30] Edward B. Lawson, former Commercial Attaché in Nicaragua and newly appointed to that post in Ankara.
[31] Foreign Economic Administration.
[32] See article VII of the Reciprocal Trade Agreement between the United States and Nicaragua signed at Managua March 11, 1936, Department of State Executive Agreement Series No. 95, or 50 Stat. (pt. 2) 1413.

103.9169 Managua: Airgram

The Acting Secretary of State to the Ambassador in Nicaragua
(*Stewart*)

WASHINGTON, June 6, 1944—5:05 p. m.

A–197. From Crowley and Dodson,[33] FEA, For Dewey.[34] Reference Embassy's Airgram A–162, April 29, 1944, 8:30 a. m.[35] Consideration has been given by the Department and the Foreign Economic Administration to the Embassy's recommendations that announcement of extension to Nicaragua of the decentralization rollback be postponed indefinitely, and that public announcement be made, instead, of the present procedure whereby import recommendations are required for all imports from the United States except flour, and imports valued at $25.00 or less. An import permit issued by the Nicaraguan Government is required in the case of these exceptions to the import recommendations system.

Both the Department and the Foreign Economic Administration consider that the rollback of decentralization and the institution, or reinstitution, of an import permit system by Nicaragua must be treated as separate and distinct subjects. In this connection, it will be recalled that the origin and purposes of the import recommendation system and the Nicaraguan import permit system are entirely different. This difference should not be confused by the fact that the Department and the Foreign Economic Administration acquiesced in the use of the import recommendation form as a control document within the Nicaraguan exchange permit procedures, during the period of complete Decentralization control and under emergency conditions. This acquiescence did not mean that this Government agreed to its permanent or indefinite future use for that purpose.

The decentralization program was an outgrowth of wartime shortages of shipping and goods, and was sponsored by the United States in an effort to give Nicaragua and the other American Republics the means of distributing to the best advantage, and within available shipping, the quantities of goods which this country could furnish. It constituted a method of implementation of the efforts of the United States to assure that the other American Republics would receive an equitable share of the goods which the United States was able to supply. In practice, the decentralization plan and its execution were joint undertakings of the United States and Nicaragua.

[33] Leo T. Crowley, Administrator, and Raymond I. Dodson, of the Foreign Economic Administration.

[34] Ralph V. Dewey, special representative in Nicaragua of the Foreign Economic Administration.

[35] Reference to airgram A–162 apparently in error, as it does not pertain to the subject under discussion.

On the other hand, the import permit system which Nicaragua has adopted appears to have its origin essentially in the desire of that country to protect its exchange or balance-of-payments position as imported goods become in relatively free supply. It represents a measure adopted by that country on its own initiative, and for reasons which it apparently considers compelling in its own self-interest.

The Department and the Foreign Economic Administration believe that the non-inclusion of Nicaragua in the rollback, and the continued use of the import recommendation as a control document within the Nicaraguan import procedure, as recommended in Embassy's airgram, would be tantamount to placing an agency of the American Government in the position of assuming responsibility, directly or indirectly, for the operation of the Nicaraguan import or exchange control measure insofar as imports from the United States are concerned. If such a control measure is considered necessary by the Nicaraguan Government, responsibility for its adoption and, of course, for its execution, rests with that Government.

In view of these fundamental considerations, and the desire of the Department and the Foreign Economic Administration that the rollback be handled in a non-discriminatory fashion, and in as uniform a manner as possible, both the Department and the Foreign Economic Administration feel that the latter must proceed with announcement of the extension of the rollback of decentralization procedure for shipments to Nicaragua. It is planned to make such announcement about June 15th effective July 1st, as per circular airgram of May 25 [36] going forward to you with this airgram.

You are instructed to inform the appropriate Nicaraguan authorities of the foregoing views of the Department and the Foreign Economic Administration and of the latter's plans with respect to announcement of extension of the rollback to Nicaragua. You should also bring to the attention of the Nicaraguan Government the views of this Government, as expressed in the final paragraph of airgram A–141 of April 19,[37] and in the Department's circular telegram of February 12, 3 p. m.,[38] that it is strongly hoped that the import permit system which the Nicaraguan Government has found it necessary to adopt will be eliminated as promptly as its balance-of-payments situation permits.

Inquiry will doubtless be made by the Nicaraguan authorities as to the attitude of this Government toward the continued use of the Import Recommendation form as a control document within the Nicaragua import control procedure in the case of commodities remaining on the positive list after July 1st. For reasons set forth above, the Department and the Foreign Economic Administration

[36] Not printed, but see footnote 64, p. 744.
[37] Not found in Department files.
[38] *Ante*, p. 738.

would much prefer to see the Import Recommendation System and the Nicaraguan Import Permit System entirely separate, recognizing that this would involve the use of two documents (an Import Recommendation Form and Nicaraguan Import Permit Form) in the case of commodities remaining on the positive list, rather than one document as at present.

However, the Department and the Foreign Economic Administration are extremely anxious to proceed with the extension of the rollback to Nicaragua, and if necessary to obtain acceptance of the rollback, will acquiesce in the continued use of the Import Recommendation Form for the two purposes in the case of commodities on the positive list, for such time as these commodities remain on the list. [Crowley and Dodson.]

STETTINIUS

103.9169/4034 : Telegram

The Ambassador in Nicaragua (Stewart) to the Secretary of State

MANAGUA, [undated].
[Received June 14, 1944—3 : 10 a. m.]

362. Regarding decentralization rollback to a minimum positive list, reference is made to the Department's circular airgram dated May 25, 11 :15 a. m.[39] and Department's A–127 [*197*], June 6, 5 [*5:05*] p. m. The Nicaraguan Country Agency has accepted the decentralization rollback and will discontinue June 30, 1944, requiring import permits for commodities that are not covered by import recommendations which will then be needed for the positive list only. Exchange control by the Nicaraguan Government will, however, continue for the time being at least since they state they find it necessary. In lieu of import permits, the importer will after July 1 submit his orders with the same number of copies as in the case of import permits to a one-man Nicaraguan Exchange Control Commission for exchange authorization, the disposition of copies remaining the same. Major Thomas Downing[40] and in his temporary absence, Colonel Irving Lindberg,[41] both Americans, will act as the Exchange Control Commission.

STEWART

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[39] Not printed.

[40] Major Downing was President of the Nicaraguan Junta de Control de Precios and Assistant Collector of Customs.

[41] Colonel Lindberg was Collector General of Customs and High Commissioner in Nicaragua. For correspondence on the duties of Mr. Downing and Mr. Lindberg, see pp. 1396 ff.

EFFORTS OF THE UNITED STATES AND NICARAGUAN GOVERNMENTS TO CONTROL FINANCIAL TRANSACTIONS INVOLVING THE AXIS [42]

740.00113 European War 1939/1216 : Telegram

The Ambassador in Nicaragua (Stewart) to the Secretary of State

MANAGUA, December 21, 1943—3 p. m.
[Received December 22—12 : 10 a. m.]

804. Local United States citizens have made application to Consulting Commission [43] to purchase property of controlled enemy aliens from National Bank and at prospective auction sales. Request instruction on necessity for license. Refer page 4 despatch No. 1528 of September 20, 1943 and Department's telegram 344 of October 9, 1943.[44]

STEWART

740.00113 European War 1939/1216 : Airgram

The Secretary of State to the Ambassador in Nicaragua (Stewart)

WASHINGTON, March 10, 1944—4 p. m.

A-95. Reference despatch no. 1528 of September 20, 1943 [45] and telegram no. 804 of December 21, 1943. Purchases of property of controlled enemy nationals from the National Bank and at prospective auction sales ordered under Decree no. 276, by persons subject to the jurisdiction of the United States, are subject to Executive Order no. 8389,[46] as amended. You are, however, authorized to notify interested United States citizens and firms that, notwithstanding General Ruling No. 11,[47] they are authorized to purchase the type of property under reference. Accordingly, specific Treasury licenses need not be obtained by such persons in Nicaragua at the present time. It is to be emphasized that this action does not represent relinquishment of licensing authority under Executive Order No. 8389, as amended, but is merely an administrative waiver of the specific license requirement. You should make this clear to all interested persons and to the Nicaraguan authorities.

In those cases where the Embassy is of the opinion that the circumstances relating to any particular property which is specifically in-

[42] Continued from *Foreign Relations*, 1943, vol. VI, pp. 632–639.

[43] Consulting Commission on Controlled Properties, an agency of the Ministry of Treasury and Public Credit, created by Nicaraguan Decree No. 276, effective September 8, 1943.

[44] Neither printed.

[45] Not printed.

[46] Executive Order dated April 10, 1940; for text, see United States Treasury Department, *Documents Relating to Wartime Financial and Property Controls of the United States Government* (Washington, June 30, 1942).

[47] For text, see "General Ruling No. 11 under Executive Order 8389, as Amended, and Regulations Issued Pursuant Thereto, Relating to Foreign Funds Control," *ibid.*

cluded in the Proclaimed List and is offered for sale under Decree no. 276 would operate against the deletion of such property from the Proclaimed List after its sale, you should inform prospective purchasers and the Nicaraguan Government, or the appropriate agencies thereof, that unless the objectionable factors are eliminated, the property will not be removed from the Proclaimed List.

With regard to the purchases by persons subject to the jurisdiction of the United States of produce of affected property, such as the coffee shipment referred to in despatch no. 1528, as distinguished from the property itself, the properties involved may be divided into the following categories:

(1) property which is owned by a Proclaimed List national but is not specifically included in the Proclaimed List itself; and

(2) property which is specifically included in the Proclaimed List.

A Treasury license will be necessary for any dealings involving the products of both types of property during the period before the auction sale.

After the auction sale has taken place and title has passed to a satisfactory purchaser, or by virtue of nonsale, to the Nicaraguan Treasury, and the former owner has no further interest in the property and has only a claim for frozen funds or defense bonds in an amount equal to the value of the property transferred, no Treasury license will be required for a future sale of any product of property included in category (1) above. In the case of category (2) a license would technically be required as long as the property remains on the list. You are, however, authorized to notify interested U.S. citizens and firms that, notwithstanding General Ruling No. 11, they are authorized to purchase produce of this property provided you are satisfied that all objectionable elements have been removed from the property and that the property will be recommended for deletion from the Proclaimed List in the near future. It will be recognized that an undesirable situation exists when persons are authorized to deal freely with property which is included in the Proclaimed List and the Embassy should therefore not give such authorization unless it intends to recommend the property involved for deletion.

In discussions with U. S. citizens concerning the purchase of Proclaimed List business enterprises, the Embassy should keep in mind the Department's policy, as set out in the circular instructions of December 7, 1943, June 18, 1943 (Section II, paragraph G of enclosed memorandum) and December 17, 1942,[49] that in the absence of special circumstances American participation in the reorganization of Axis firms should be limited to a minority financial participation or management fee contract. Article 22 of Decree no. 276 apparently ex-

[49] None printed.

presses the intention of the Nicaraguan Government that purchasers at auction sales shall be native Nicaraguans or Nicaraguan companies.

The Department has discussed with the Treasury the possibility of releasing to the National Bank of Nicaragua funds blocked in the United States in the name of affected persons or firms in Nicaragua. This problem is but one of many generally referred to as "conflicting custodial claims", which this Government considers with the British, Canadian, and other authorities from time to time. The Treasury is not presently prepared to release generally to the National Bank of Nicaragua funds blocked in the United States in the name of affected persons or firms in Nicaragua. However, you may refer any such case to the Treasury on an *ad hoc* basis, but you are requested not to encourage in any way the local authorities to expect that such funds will be released. . . .

HULL

840.51 Frozen Credits 17/8

The Ambassador in Nicaragua (Stewart) to the Secretary of State

[Extracts]

No. 2322 MANAGUA, June 15, 1944.
[Received June 20.]

SIR: I have the honor to refer to the Department's airgram of March 10, 1944; 4:00 p. m.,[50] page 3, last paragraph, relative to the desire of the National Bank of Nicaragua that funds frozen in the United States to the credit of Proclaimed Nationals of Nicaragua be transferred to it for custody and use pursuant to the provisions of Decree no. 276, and to transmit herewith the Bank's request for the specific release and remission of the following such credits:

. . . . . .

As explained in despatch no. 1528 of September 20, 1943,[51] all cash assets of affected persons, which comprise all proclaimed persons, are divided by the National Bank into controlled funds and frozen funds pursuant to Article 28 of Decree no. 276. The controlled funds are those estimated as necessary for the maintenance of the affected person and his dependents; the payment of taxes, just debts and expenses authorized by the Decree, Article 29. The remainder constitute the frozen funds, which by Article 34 must be invested in Nicaraguan defense bonds to be issued in the name of the owner and frozen to his credit with the Bank. Bank officers complain that their inability to procure custody of the funds frozen in the United States prevents *pro tanto* their application of Decree no. 276; that as such funds belong to persons over whom Nicaragua has jurisdiction and whose

[50] Airgram No. A-95, *supra*.
[51] Not printed.

property the Bank is authorized and required to administer, the Bank is entitled to the same rights in respect of custody as was the owner before blocking, and the failure of the United States to make release is in effect a blocking against the National Bank of Nicaragua. The Nicaraguan national currency, it should be recalled, is supported by its dollar reserve with the Bank of the Manhattan Company, New York, New York, and hence the officials have more than an academic interest in acquiring dollar credits. The funds besides will increase those available for use of the Government.

As Nicaragua has evidenced a serious intention to carry into effect the provisions of Decree no. 276 and many expropriation proceedings have been initiated, I am sympathetic towards the Bank's claim of custody over the funds in question and recommend that the several custodians of them in the United States be licensed to transfer them to the credit of the National Bank of Nicaragua.

Respectfully yours, JAMES B. STEWART

840.51 Frozen Credits 17/10–1344 : Airgram

The Secretary of State to the Ambassador in Nicaragua (Stewart)

WASHINGTON, October 13, 1944—5 : 55 p. m.

A–367. Reference your despatch no. 2322 of June 15, 1944 with regard to the transfer to Nicaragua of funds frozen in the United States to the credit of Proclaimed List nationals in Nicaragua.

The information contained in the above-mentioned despatch was forwarded to the Treasury Department with the statement that there appeared to be no objection to the release of the amounts blocked in the name of Alberto Pataky & Co. and Impex Centro-Americana Cia. Ltda. under the policy previously outlined by it. The comments of the Treasury Department were requested on all the cases referred to in the despatch.

A memorandum dated October 5, 1944 has now been received from Foreign Funds Control, Treasury Department, the pertinent portion of which is quoted below:

"Your attention is called to our Letter No. 70426, dated August 11, 1944,[52] addressed to Mr. Acheson [53] relative to the release to the Haitian Government of certain securities held in the United States in the name of Société Haitienne de Banque et de Placement, a Proclaimed List organization in Haiti, and certain other securities registered in the name of Arpad Plesch. In this letter, Treasury enunciated the policy of being 'prepared to release to the governmental authorities of a

[52] Not printed.

[53] Dean Acheson, Chairman of the Executive Committee on Economic Foreign Policy, member of the Frozen Funds Committee, and Assistant Secretary of State.

cooperating Latin American country the assets of a Proclaimed List firm organized in such country, whenever action has been taken which clearly demonstrates that the activities of such concern are being appropriately controlled and regulated by the appropriate authorities of such country.' We, accordingly, do not anticipate any difficulty in releasing to the National Bank of Nicaragua the funds held in the names of the two firms specifically mentioned in Mr. Baker's memorandum [54] and probably those of the additional firms referred to in the Embassy's Despatch of June 15, 1944.[55]

"This Department, however, cannot take any action pending receipt of appropriate applications for release of the funds in question. It is, accordingly, suggested that our Embassy be instructed to advise the National Bank of Nicaragua to make the necessary arrangements with the parties at interest to have the persons or firms in the United States holding the assets in question file appropriate applications through their respective Federal Reserve Banks. These applications should contain all pertinent detail, particularly the status of the Proclaimed List nationals involved. Our Embassy should, of course, be instructed that, in discussing this matter with the National Bank, no commitments should be made concerning Treasury action on any applications filed in connection with these cases."

HULL

840.51 Frozen Credits 17/10–2644 : Airgram

The Ambassador in Nicaragua (Stewart) to the Secretary of State

MANAGUA, October 26, 1944—4 p. m.
[Received October 31—2 p. m.]

A–450. Reference Department's airgram no. A–367 of October 13, 5 : 55 p. m., 1944. Manager of the National Bank of Nicaragua [56] has been advised to request the United States holders of funds belonging to enemy nationals subject to Nicaragua's Emergency Laws to file license applications to transmit such funds to the National Bank of Nicaragua. As this Bank will invest the funds in Nicaraguan defense bonds, the owners are opposed to the transfer, believing that the United States will release the cash to them after the war. The depositaries at best have no interest in procuring the license and making the remission, and at worst may fear the legal consequences if they do so contrary to the owners' wishes. Consequently the Treasury's suggestion seems unlikely to secure the results desired, and I request that its attention be directed to the helpless position of the National Bank of Nicaragua if the depositaries decline to file the license applications.

STEWART

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[54] Memorandum not found in Department files. The reference here is possibly to George W. Baker, Assistant Chief of the Division of World Trade Intelligence.
[55] Presumably despatch 2322, *supra*.
[56] Rafael Huezo.

840.51 FC/10–2644 : Airgram

The Secretary of State to the Ambassador in Nicaragua (Stewart)

WASHINGTON, December 4, 1944—5 : 05 p. m.

A–411. Reference your airgram no. 450 of October 26, 1944, requesting that the Treasury Department's attention be directed to the helpless position of the National Bank of Nicaragua resulting from the fact that the Proclaimed List nationals in Nicaragua owning frozen funds in the United States oppose the transfer of such funds to the National Bank of Nicaragua.

Treasury has expressed its understanding of the National Bank's position, but states that it can take no action with regard to the release of the funds held in the United States until the banking institutions with which the accounts in question are maintained are authorized by their respective depositors to release the funds to the National Bank of Nicaragua. On the basis of such authorization, the Treasury Department would be willing to consider applications on the part of United States banking institutions for licenses permitting the transfers. This is not to imply any prior commitments on the part of the Treasury Department to release the funds.

The Department is confident that the National Bank of Nicaragua will appreciate that no banking institution in the United States, under these circumstances, is in a position to transfer funds belonging to its depositors without their instructions. Such action would undoubtedly result in the bank's becoming liable to the depositors, whose accounts were transferred, for disposition of funds without appropriate authorization.

STETTINIUS

CONSIDERATION OF TERMINATING THE OFFICIAL CONNECTION OF THE UNITED STATES WITH THE HIGH COMMISSION AND CUSTOMS COLLECTORSHIP OF NICARAGUA

817.51/8–1244

The Acting Secretary of State to the Ambassador in Nicaragua (Stewart)

No. 1316 WASHINGTON, August 12, 1944.

SIR: The Department encloses herewith a copy of a memorandum [57] prepared some time ago regarding the possibility of terminating the official connection of the United States with the Customs Collectorship in Nicaragua.[58] The action of the Collector of Customs [59] in

[57] Memorandum dated October 7, 1943, by John Cabot, Assistant Chief of the Division of the American Republics, not printed.

[58] For correspondence concerning the establishment of the Collector-Generalship under the Treasury Bills Agreement of September 1911, see *Foreign Relations*, 1912, pp. 1071–1080.

[59] Col. Irving A. Lindberg.

his capacity of President of the Price Control Board, reported in your telegram no. 429 of July 7, noon,[60] has impelled the Department to give further consideration to this matter.

The Department requests that you study the enclosed memorandum and that you give careful thought to those other factors affecting this matter which in your opinion merit consideration. The Department would then appreciate a statement of your views as to whether any steps should now be taken to terminate our official connection with the Customs Collectorship. In the event that you should feel that this connection should be terminated, you are requested to recommend the specific steps which in your opinion should be taken in this connection.

Very truly yours, EDWARD R. STETTINIUS, JR.

817.51/9–2244

The Ambassador in Nicaragua (Stewart) to the Secretary of State

No. 2562 MANAGUA, September 22, 1944.
[Received September 30.]

SIR: I have the honor to refer to the Department's instruction no. 1319 [*1316*], dated August 12, 1944, regarding the possibility of terminating the official connection of the United States with the Collectorship General of Customs in Nicaragua, as well as the Department's telegram no. 388, dated September 16, 7 p. m., 1944,[61] requesting the expediting of a reply thereto.

Immediately following the receipt of the Department's instruction under reference, Mr. Roland H. Brownlee, Junior Economic Analyst assigned to this Embassy, was requested to prepare a study setting forth the origins of the Collectorship General, its present status, the status of the Nicaraguan public debt which bears a relationship thereto, and the resources which the Nicaraguan Government has presently available to liquidate the debt on which the Collectorship General is predicated. This study, which was terminated on September 6, 1944, was held for the perusal of an officer of the Embassy who was then on leave of absence and who has now returned to duty. A copy of Mr. Brownlee's study is annexed.[61]

In summary, it appears that the appointment of an American Collector General of Customs was first visualized in the Knox–Castrillo Convention of 1911,[62] in which Nicaragua obligated itself to seek a loan subject to the approval of the United States having as its security the customs receipts collected by a Collector General of Customs who

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[60] *Ante*, p. 1396.
[61] Not printed.
[62] For text of loan convention, see *Foreign Relations*, 1912, p. 1074.

was to be approved and protected by the United States. The American Senate did not consent to the ratification of this Convention, and it has never been ratified.

Prior to the Senate's rejection of the Knox–Castrillo Convention, but in anticipation of its ratification, the Nicaraguan Government issued $1,500,000 in Treasury Certificates which were sold to New York bankers.[64] The terms of the sale of these Certificates provided that they should be serviced from the proceeds of customs receipts collected by a Collector General of Customs under the identical conditions provided for in the Convention, except that their servicing was to be a second lien on the customs receipts following the servicing of the so-called Ethelburga Loan, which had been concluded in 1909.

The Ethelburga Loan, contracted for in England, was on the basis of the issuance of £1,250,000 gold bonds by the Nicaraguan Government, to bear interest at 6%. In 1912, however, following an agreement between the Nicaraguan Government and the Corporation of Foreign Bondholders,[65] the interest rate was reduced from 6% to 5% on condition that no default in interest or amortization payments occurred and, provided further, that the customs should continue in the charge of a Collector General approved by the Secretary of State of the United States. As from the time of this agreement, it appears that the syndicate which had underwritten the Ethelburga Loan vanished from the picture, and the interests of the bondholders have since been represented exclusively by the Corporation of Foreign Bondholders.

It would appear that the original appointment of a Collector General of Customs took place upon the nomination of the New York bankers who purchased the Treasury Certificates in 1911. The Secretary of State approved the nomination in the following terms:

". . . my approval of the person selected for the post of Collector-General of Customs of Nicaragua must not in any wise be understood as indicating that the Government of the United States will lend any other or further good offices in the protection of the American citizens parties to this contract than it would accord to any legitimate American enterprise abroad, nor that this approval places the bankers in any better position in regard to seeking this protection than if I took no part whatever in the approval of a Collector-General of Customs." [66]

The President of Nicaragua [67] then appointed the nominee of the bankers to office.[68] This would appear to have been a contract between

[64] See *Foreign Relations*, 1912, pp. 1078 ff.

[65] Referred to more accurately as the British Council of Foreign Bondholders, or the Council of Foreign Bondholders of London.

[66] Quotation from a letter of November 11, 1911, from Secretary Knox to the New York bankers, Brown Brothers and Company and J. and W. Seligman and Company; *Foreign Relations*, 1912, p. 1079.

[67] Adolfo Díaz.

[68] Col. Clifford D. Ham.

the bankers and the Nicaraguan Government which was approved by the Secretary of State within the limits of the Secretary's qualifying statement. This contract may be presumed to have come to an end when the Treasury Certificates were liquidated, as they were a few years later.

Thereafter, the continuance of the Collectorship was one of the two conditions which formed the basis of the 1912 agreement between the Ethelburga bondholders represented by the Corporation of Foreign Bondholders and the Nicaraguan Government providing for the reduction in the interest rate of from 6% to 5%. The other was that there should be no default in interest or amortization payments. The Embassy has discovered no instance in which the United States made a commitment to the bondholders themselves to continue the collection of Nicaraguan customs by a Collector General approved by the Secretary of State.

Since Mr. Ham, the first Collector General, continued in office until June 1928—long after the liquidation of the Treasury Certificates of 1911—it would seem that he remained in office during this period with at least the tacit approval of the United States. Upon his resignation, Mr. Irving A. Lindberg was appointed, but the records available in Managua (except possibly those of the Collectorship General itself, which for obvious reasons have not been consulted) do not indicate by whom he was nominated nor whether his nomination was approved by the Secretary of State with the previous qualifications, with others, or without any. Obviously, the bankers who nominated Mr. Ham were no longer in the picture, because the Treasury Certificates purchased by the bankers in 1911 and 1913 had long since been liquidated. It seems doubtful whether the nomination would have been made by the British Corporation of Foreign Bondholders. Possibly the fact that Mr. Lindberg had functioned as the deputy to Mr. Ham since 1912 was deemed automatically to have effected his nomination.[69]

So far as concerns the present status of the so-called Ethelburga Loan—the only outstanding debt on which the Collectorship General appears to be predicated—there remained outstanding on December 31, 1943, only £387,840 ($1,887,423), about one-third of the original issue. On this sum interest at the rate of 4% is being paid as a result of a further agreement with the Corporation of Foreign Bondholders in June, 1937. The debt service is approximately $126,000 per annum, a sum calculated to liquidate the loan in January, 1957—or thirteen years hence—when the last bonds fall due.

It will be observed from Mr. Brownlee's study of the present condition of Nicaraguan finances that the total debt of the country as of

[69] According to a memorandum of October 7, 1943, by John Cabot (not printed), Irving Lindberg was also approved by the Secretary.

December 31, 1943, was $5,669,791, of which $3,428,000, the largest single item, was owed to the Export-Import Bank. The servicing of this latter debt has been well-maintained, as have all of Nicaragua's debt services in recent years. The excellent condition of Nicaragua's finances is attested not only by the fact that the Guaranteed Customs Bonds of 1918 [70] and the Frozen Commercial Debt of 1939 [*1938*] [71] were paid up in full 10 and three years in advance of their respective due dates,[72] but also by the very substantial proportions of the Exchange Stabilization Fund currently maintained in New York by the National Bank of Nicaragua. This latter fund has been increased from about $4,700,000 at the end of 1942 to more than $9,500,000 on July 31, 1944.

In approaching the Nicaraguan Government with a view to the termination of our connection with the Collectorship General, the Embassy believes that it could be explained that the United States, in line with the policy it has adopted in liquidating special relationships in Cuba, the Dominican Republic, and Haiti, desires to liquidate as soon as possible all other vestiges of special responsibilities it has assumed in the other American republics, including the responsibility we have in a certain measure for the Collectorship General in Nicaragua. In view of the presently advantageous situation of Nicaraguan finances, the query arises whether the Nicaraguan Government would be prepared within a relatively short period to call the outstanding Ethelburga bonds with a view to their cancellation well in advance of 1957. This would create a situation in which our responsibility in the Collectorship General would automatically be terminated.

Failing interest of the Nicaraguan Government in the early cancellation of the Ethelburga bonds, we could then inform the Corporation of Foreign Bondholders and the Nicaraguan Government that it has for some time been the policy of the United States to liquidate special relationships in the other American republics which originally were designed, in part, to give protection to American investors; that such relationships have now been liquidated with respect to Cuba, the Dominican Republic, and Haiti; that we would not now desire to continue our special relationship to the Collectorship General in Nicaragua, even though the outstanding Ethelburga bonds were held by American citizens; and that there would seem to be still less reason for maintaining this relationship in as much as the remaining bonds are reported to be held outside the United States. The United States Government has therefore reached a determination, whenever the ap-

[70] The Guaranteed Customs Bonds of 1918 were issued in the amount of $3,744,150 at 5% interest and guaranteed by a 12½% customs surcharge on import duties; see *Foreign Relations*, 1918, pp. 828–831.

[71] Reference is presumably to an agreement of September 13, 1938, between the Government of Nicaragua and the National Foreign Trade Council of New York, which provided for the liquidation of the frozen commercial debt.

[72] Both debts were retired in 1943.

pointment of a new Collector General should again be required, to withhold from the appointment the approval of the Secretary of State. The Embassy favors this suggested procedure over others.

The Nicaraguan Government should, perhaps, be informed simultaneously that the United States entertains no objection to its employment of American citizens to collect the customs or for any other worthy purpose. If for any reason, as a result of putting into effect the measures referred to above, American citizens should lose their positions after many years of service, it would be hoped that they would receive such pensions or other compensation in a measure to which their services might entitle them.

Should the Nicaraguan Government assert that, after calling the outstanding Ethelburga bonds, its reserves would be reduced to a point imperiling the fulfillment of the road building program [73] and that an additional credit from the Export-Import Bank would be necessary for that purpose, it is believed that the improved credit position which would result and Nicaragua's present healthy financial situation might perhaps warrant the consideration of such an additional credit, if desired.

With respect to the High Commission,[74] attention is invited to the report rendered to the Secretary of State on June 30, 1944, by Colonel Lindberg,[75] on page 7 of which it is stated that, "Practically, the work of the Commission will terminate on June 30, 1944."

Respectfully yours, JAMES B. STEWART

817.51/11–244

The Ambassador in Nicaragua (Stewart) to the Secretary of State

No. 2655 MANAGUA, November 2, 1944.
[Received November 8.]

SIR: I have the honor to refer to the Department's instruction No. 1373, dated October 9, 1944,[76] concerning the termination of the High

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[73] For correspondence concerning construction on the Pioneer and Inter-American Highways in Nicaragua, see pp. 187 ff.

[74] The High Commission, still nominally in existence at the time of this despatch, was established by the Financial Plan of 1917, sometimes called the "Plan Lansing." For correspondence concerning the Commission, see *Foreign Relations*, 1917, pp. 1123–1141. Describing the Commission in his memorandum of October 7, 1943, John Cabot wrote: "The Nicaraguan member is the Minister of Finance, the American member is Colonel Lindberg; I understand that it has not been necessary in recent years for the Secretary of State to appoint an arbiter, as provided by the Plan. The High Commission originally had certain duties in connection with the Nicaraguan budget, and the service on loans, but so far as I can make out the last of these duties lapsed with the repayment of the Customs bonds of 1918." (817.51/8–1244)

[75] Report in Spanish, dated June 15, 1944, addressed to President Anastasio Somoza of Nicaragua, copy of which was transmitted to the Department by Colonel Lindberg under covering letter of June 30, 1944; not printed.

[76] Not printed.

Commission in Nicaragua, in which the Department requests me to investigate and report "what steps have been taken or are contemplated finally to abolish the High Commission and whether any action by the Department is necessary to effect this end."

Upon receipt of the instruction under reference, I addressed a letter to Colonel Irving A. Lindberg, dated October 14, 1944. Copies of these communications are enclosed.[77] Reference is made in this connection to my despatch No. 2589, dated September 29, 1944,[78] reporting upon the promulgation of Nicaraguan Decree No. 15, dated March 15, 1944, terminating the High Commission.

The origin of the High Commission was in Article 7 of the Financial Plan of 1917 as modified by the Plan of 1920.[79] Both of these Plans had Nicaraguan legislative approval. While the Plans and the High Commission appear to have had the approval of the United States, there was no contractual arrangement to which the United States was a party. By reason of the redemption of the Guaranteed 5% Custom Bonds of 1918 (except a few for which checks have been issued pending presentation of the bonds), the two Plans appear automatically to have expired. By legislative action, moreover, the Nicaraguan Government terminated the High Commission with the promulgation of the Decree of March 15, 1944, on April 24, 1944.

Colonel Lindberg was appointed to the High Commission by the Secretary of State. When the Commission was terminated, it would appear, likewise, that his appointment automatically ended.

The Embassy is inclined to the opinion that no action on the part of the United States Government is necessary to terminate the special relationship created by the Plans and the High Commission.

Colonel Lindberg has read this despatch and approves its content and conclusion.

Respectfully yours, JAMES B. STEWART

[Discussion relating to termination of the official connection of the United States with the Customs Collectorship in Nicaragua continued into subsequent years.]

AGREEMENT BETWEEN THE UNITED STATES AND NICARAGUA RESPECTING A HEALTH AND SANITATION PROGRAM

[For text of agreement effected by exchange of notes signed at Managua March 30 and 31, 1944, see Department of State Executive Agreement Series No. 484, or 59 Stat. (pt. 2) 1673.]

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[77] Neither printed.

[78] Not printed.

[79] The Financial Plan of 1920 reconfirmed the offices of High Commissioner and Collector General of Customs. It was in the main a revision of the Financial Plan of 1917 with minor changes, such as budget increase of the Commission and deletion of obsolete provisions.

PANAMA

AGREEMENT BETWEEN THE UNITED STATES AND PANAMA CONTINUING IN EFFECT THE AGREEMENT OF JULY 7, 1942, AS EXTENDED BY THE AGREEMENT OF JULY 6 AND AUGUST 5, 1943, RESPECTING THE DETAIL OF A MILITARY OFFICER TO SERVE AS ADVISER TO THE MINISTER FOR FOREIGN AFFAIRS OF PANAMA

[For text of agreement effected by exchange of notes signed at Washington April 26 and May 18, 1944, see Department of State Executive Agreement Series No. 414, or 58 Stat. (pt. 2) 1377.]

PARTICIPATION BY THE UNITED STATES IN THE DEVELOPMENT OF PANAMANIAN PUBLIC WORKS AND FACILITIES[1]

819.154/699

Memorandum by Mr. Robert G. McGregor, Division of Caribbean and Central American Affairs[2]

[WASHINGTON,] January 4, 1944.

The attached letter[3] from Mr. MacDonald of the PRA[4] sets the stage for final decisions which will result in the completion of the Madden Dam cut off, the P–8 Highway and the spur running southwest from Panama City to Pacora.[5]

Briefly the PRA states:

(1). Total cost of finishing these projects is estimated at $3,231,252. PRA has available for this work $900,000. It has sufficient machinery, lacks cement and some labor.

(2). War Department should decide that these three projects are of military necessity in which event PRA hopes War will make available the $2,331,252 required to insure completion.

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[1] For previous correspondence on the Panamanian water and sewer systems, see *Foreign Relations*, 1943, vol. VI, pp. 648 ff.

[2] Addressed to Philip W. Bonsal, Chief, Division of the American Republics, and John M. Cabot, Assistant Chief of the Division.

[3] Not printed.

[4] Thomas H. MacDonald, Commissioner, Public Roads Administration.

[5] According to a statement from the Commercial Attaché in Panama, May 5, 1944, the Panama to Madden Dam section of the Trans-Isthmian Highway was under construction while the section from Madden Dam to Colón was complete. Originally the P–8 and the Madden Dam cutoff were referred to as part of the Trans-Isthmian Highway. The Pacora Road was planned to connect the city of Panamá with three airfields, La Jolla One, Two, and Three. (810.154/3307)

(3). Stage is set for such decisions on part of War Department. Commanding General has rescinded his stop order of last April and recommended priority in following order:

1. Madden Dam cut off
2. P–8 Highway (Roque to Pueblo Nuevo)
3. Pacora Road

(4). Mr. MacDonald has seized the opportunity afforded by present discussion to include the Rio Hato-Chorrera Highway among roads to be declared of military necessity. He wishes to establish War Department's responsibility for financing completion and maintenance during war and six months after war.

(5). If we can secure all-round agreement for recommendations of PRA we can be assured that all United States obligations with regard to roads mentioned in Defense Sites Agreement of May 18, 1942,[7] are met.

(6). We will then be in a position to reply in a thoroughly satisfactory manner to the inquiry made of the Embassy by the Panamanian Foreign Office by note of November 5 which the Chargé referred to the Department.[8]

I, therefore, recommend that we arrange for a meeting in Mr. Bonsal's office of representatives of the War Department, the PRA, the WPB [9] and State Department in order to reach a definite agreement to complete this program during current dry season (January–June 1944).

819.154/699

Memorandum of Conversation, by Mr. John M. Cabot, Assistant Chief, Division of the American Republics

[WASHINGTON,] January 12, 1944.

Participants: Mr. MacDonald, PRA
Mr. Curtiss, PRA [10]
Major Debardeleben, U. S. Army Engineers, War Department
John M. Cabot, RA

Mr. MacDonald and Major Debardeleben came to my office at Mr. McGregor's request to discuss the completion of the Panamanian Highway Program, provided by the exchange of notes of May 18,

[7] Department of State Executive Agreement Series No. 359; 57 Stat. (pt. 2) 1232. For correspondence on the agreement, see *Foreign Relations*, 1942, vol. VI, pp. 597 ff.

[8] Note not printed: copy transmitted to the Department in despatch 4900, December 2, 1943, from Panamá.

[9] War Production Board.

[10] C. D. Curtiss, official of the Public Roads Administration.

1942.[11] After I had briefly outlined the situation and mentioned the Panamanian Government's inquiry, a long and desultory discussion followed. The upshot of it was that the following was agreed:

(1) Major Debardeleben would seek War Department funds of $2,331,252 to complete the Madden Dam bypass, the P–8 Highway from Roque to Pueblo Nuevo and thence to Panama, and the Pacora Road. Mr. MacDonald said that the $900,000 estimate for the latter highway was tentative and probably high.) To get these funds the roads would be declared projects of military necessity.

(2) He would also seek to have the War Department declare the roads access roads to [be?] military installations, which would permit their maintenance by the PRA from special funds appropriated by Congress.

(3) The PRA wishes to exchange the general obligation of paying one-third of the maintenance on Highways used periodically or frequently by the armed forces for an obligation to maintain, entirely for its own account, the Trans-Isthmian Highway, including the P–8 and bypass highways, the Chorrera-Rio Hato Highway and the Pacora Road. I agreed that I would ascertain whether the Department would be willing to present this proposal to the Panamanian Government.

In connection with the last-named point, Mr. MacDonald pointed out that the PRA had no real control over the accounts for maintenance expenditures which the Panamanian authorities might present (as yet they have not presented any). The Trans-Isthmian Highway was also being fully maintained by the PRA on the excuse that it was still under stabilization rather than maintenance. None of these Highways would be properly maintained by the Panamanian authorities, whereas it is militarily essential that they be maintained in excellent condition. Mr. MacDonald believed that article 8 of the Agreement of May 18, 1942 [12] could be interpreted to make the above proposal comply with our suggestions if the Panamanian Government accepted. I said that I was somewhat doubtful whether the Panamanian Government would permit a United States Government agency to maintain roads on its national territory; Mr. MacDonald pointed out that it had long accepted very similar activities of the PRA. I then said that I saw no harm in putting the matter up to the Panamanians and would ascertain whether the Department would accept this viewpoint. Major Debardeleben said that he would let me know in a day or two whether the War Department would go along with this proposition.

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[11] The Defense Sites Agreement.

[12] Article 8 provided for the construction by the United States of certain named roads until their stabilization, and the maintenance by Panama, with the cooperation of the United States, of those roads frequently used by the Armed Forces of the United States.

819.154/702

The Commissioner of Public Roads (MacDonald) to the Deputy Director, Office of American Republic Affairs (Bonsal)

WASHINGTON, February 23, 1944.

DEAR MR. BONSAL: In reply to your letter of December 18, 1943,[13] the following information as to the status of the Trans-Isthmian Highway is submitted: There has been transferred to the Public Roads Administration the sum of $1,206,000 to complete the Trans-Isthmian Highway from Madronal to Roque, by-passing Madden Dam and extending from Pueblo Nuevo to Panama City. Purchase orders have been placed for the necessary supplies such as cement, expansion and contraction joints, and these supplies are in process of fabrication and shipment to Panama. Bridge steel for Chagres, Chilbre and Chilibrillo Rivers is in transit to New Orleans for ocean shipment.

To supplement our equipment we have purchased in Panama several pieces of equipment from the Panama Canal and from private sources. We are receiving on or about the first of March certain pieces of excavating equipment from the 15th Naval District in Panama. I am enclosing a copy of our letter of February 22 [14] to the Commanding General of the Army Service Forces in connection with the limited amount of equipment we are to secure from that organization. If we are successful in securing the equipment listed it will complete our equipment requirements for the project. We will then complete the construction of all work on the by-pass and the P–8 Road sections during the present dry season. It will be necessary for the Army authorities to extend full cooperation on priorities and allotments which will permit Public Roads to secure parts for equipment during the process of construction.

With present personnel and equipment the Public Roads Administration cannot undertake to reconstruct the Pacora Road if the completion of this project is considered a necessity during the present dry season.

When definite commitments are made as to the sums to be contributed by the Republic of Panama and this Government for the construction of the Pacora Road, and the type of construction is determined, Public Roads will undertake surveys and complete plans for this project. All construction work on this project, with the exception of pavement, can be completed during the coming wet season, which would permit paving to commence on or about December 15, 1944. Public Roads will, if requested, undertake the maintenance of the present Pacora Road pending the completion of the construction if funds are made available for that work.

Very truly yours, THOMAS H. MACDONALD

[13] Copy not found in Department files.
[14] Not printed.

819.154/695 : Telegram

The Acting Secretary of State to the Chargé in Panama (Muccio)

WASHINGTON, March 1, 1944—7 p. m.

76. You may assure the Foreign Minister orally with reference to your airgram no. A–213 of February 17, 1944,[15] and in reply to his Note of November 5, 1943,[15] that this Government has every hope that construction work on the Madden Dam By-Pass and the P–8 Road will be completed during the current dry season. Since receipt of his Note this Department has been instrumental in pushing this construction project, bearing in mind the commitment contained in Article VIII of the Defense Sites Agreement of May 18, 1942. Funds for this purpose have only now been made available by the War Department to the Public Roads Administration.

STETTINIUS

819.154/697

The Secretary of War (Stimson) to the Secretary of State

WASHINGTON, March 17, 1944.
[Received March 20.]

DEAR MR. SECRETARY: Information received from the Commanding General, Caribbean Defense Command[16] indicates that the Government of Panama does not maintain the Pacora Road, which is under its jurisdiction, in accordance with Article VIII of the Agreement for the Lease of Defense Sites in the Republic of Panama, with the result that it is now almost impassable and causing extreme damage to Army motor transportation. Repeated efforts to induce the Republic of Panama to maintain this road have been made by the Commanding General, Caribbean Defense Command without success.

Under the terms of the present agreement, the Government of the United States bears one-third of the total amount of maintenance cost of all Panamanian roads used periodically or frequently by the Armed Forces of the United States.

Informal conversations between Headquarters, Caribbean Defense Command and the Republic of Panama have indicated that the latter is probably agreeable to providing one-half of the cost of construction of a 15-mile strip of the Pacora Road, provided it is relocated and paved with concrete, in return for which the United States Government would be relieved from the obligation of paying any portion of the maintenance cost of other roads in the Republic of Panama for the duration and six months thereafter.

Accordingly, it is requested that the Department of State approach the Government of Panama with a view to modifying Article VIII

[15] Not printed.
[16] Lt. Gen. George H. Brett.

of the Agreement for the Lease of Defense Sites in the Republic of Panama by the deletion of Paragraph 6 wherein the Government of the United States is obligated to bear one-third of the total maintenance cost and by the insertion between Paragraphs 3 and 4 of a paragraph substantially as follows:

"The Government of the United States shall complete the construction of the road, approximately fifteen (15) miles in length, from the City of Panama to the entrance of La Joya Number 1 Airfield. Specifications shall be the same as for the Trans-Isthmian Highway, and the Government of the United States and the Government of Panama shall share equally in the cost of construction."

Sincerely yours, HENRY L. STIMSON

819.154/697

The Secretary of State to the Secretary of War (Stimson)

WASHINGTON, May 23, 1944.

MY DEAR MR. SECRETARY: I have delayed acknowledging the receipt of your letter of March 17, 1944 in order that the matter of the amendment of the Agreement for the Lease of the Defense Sites in the Republic of Panama suggested by you could receive the most careful consideration.

You will recall the difficulties encountered by our respective Departments in effecting this Agreement. I believe you will agree with me that this arrangement constitutes a vital link in the system built up for the defense of the Canal. I therefore feel it would be a mistake for the Government to disturb an arrangement that is working as smoothly as this one is; I fear that if the Agreement were opened up to amendment, the Panamanian Government would have suggestions to make to which I am certain we would not want to accede. I am therefore very reluctant to approach the Panamanian Government in the sense of the suggestion contained in the last paragraph of page 1 of your letter under reference.

As your Department is aware, certain propositions have been under consideration by the Public Roads Administration for the construction of what has become known as the Pacora Road. The latest communication from the Commissioner of Public Roads to this Department [18] describes an altogether different proposition than any heretofore under consideration. It is my understanding that this proposition has not been brought to the attention of your Department by either the Commanding General of the Canal Zone, despite the fact that he participated in discussions concerning it, or by the Public Roads Administration.

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[18] Dated May 5, 1944, not printed.

The Department of State stands ready to assist in any way possible in this matter. It is perfectly willing to enter into discussion with the Panamanian Government over any proposition that may enhance the value of the Canal and does not infringe upon any commitments this Government may have toward the Panamanian Government. It is essential however that there be unanimity of views as between the various Government Departments and agencies concerned. It is suggested, with specific regard to the Pacora Road project, that your Department may desire to reach an agreement with the Public Roads Administration regarding its alignment, construction and financing. When informed that such an agreement has been reached this Department will be very glad to undertake such negotiations with the Panamanian Government as may appear appropriate to implement this project.

In this connection I feel that I should refer to the statements in your letter indicating that this matter has been informally discussed by the Commanding General of the Canal Zone directly with authorities in the Republic of Panama. I assume that the Embassy is advised in advance and is kept informed of these discussions. If this were not so we could easily reach a situation in this particular connection when several different proposals were presented to the Panamanian Government by different agencies of the United States Government. I am confident you will agree that this should be avoided.

Sincerely yours, CORDELL HULL

819.154/6–344

Memorandum of Conversation, by the Director, Office of American Republic Affairs (Duggan)

[WASHINGTON,] May 27, 1944.

Participants: Dr. Augusto Boyd, former President of Panama;
Señor Don Enrique A. Jiménez, Ambassador of Panama;
Laurence Duggan

Dr. Boyd said that the President had asked him while he was in Washington to mention to the Secretary the desire of the Panamanian Government to construct the Inter-American Highway of cement rather than of macadam. Owing to the brevity of his conversation with the Secretary Dr. Boyd said he had not had an opportunity of discussing this with the Secretary and would appreciate my informing him.

Dr. Boyd went on to explain that Panama's experience with roads indicated that it was better to construct at the outset a road of cement that required a minimum of upkeep rather than a road of

macadam which required continuing upkeep at a rather substantial cost. The Inter-American Highway had already cost Panama $20,000,000, yet the road was a very poor one. Moreover, the heavy United States Army trucks that used the roads of the Republic usually cut them up badly. Although the United States Government paid for the repair of roads injured as a result of such use, nevertheless it meant that the roads were continuously in a state of disrepair since they could not stand up against the treatment accorded by heavy trucks.

Dr. Boyd stated that Panama would, of course, pay the difference between the cost of a road of macadam and one of cement. The President hoped that either the Export-Import Bank or the War Department could loan the money. About $4,500,000 would be necessary.

In our subsequent conversation Dr. Boyd stated very clearly that the President wanted to have a cement road all the way to the Costa Rican border, so that once the road was constructed there would be nothing but minor upkeep.

I told Dr. Boyd that this was quite a new idea, at least to me. I wondered whether there would be enough traffic, at least over the northern part of the road, to warrant making it of cement. I said that the whole matter would be gone into at once and a reply conveyed directly to the President.[19]

I said that I would immediately inform the Secretary and would also advise him of the results of our studies.

711F.1914/763a

The Secretary of State to the Secretary of War (Stimson)

WASHINGTON, June 1, 1944.

MY DEAR MR. SECRETARY: You will recall that this Government committed itself to the removal of the railroad station in Panama City by virtue of the following language found in an exchange of notes between the State Department and the Panamanian Embassy dated May 18, 1942:

"10—The moving of the railroad station at Panama.

The Government of the United States agrees to comply with the wishes of the Republic of Panama regarding the removal from their present site of the terminal facilities of the Panama Railroad in Panama including the station, yards and other appurtenances.[20] This

[19] No record of such a reply has been found in Department files.

[20] The question of moving the railroad station at Panama, dealt with in this letter, had been raised by President Ricardo Adolf de la Guardia in a conversation at Panamá on May 26 with the Deputy Director of the Office of American Republic Affairs (Bonsal), and by former President Augusto Boyd on behalf of President de la Guardia in a conversation at Washington on May 27 with the Director of the Office of American Republic Affairs (Duggan). (711 F. 1914/761, 763)

agreement, however, is subject to the making available without cost to the Government of the United States by the Republic of Panama of a new site deemed suitable for the purpose by the two Governments."

It is my understanding that the Government of Panama has selected a site and that a survey conducted at the direction of the Commanding General in the Canal Zone has revealed that the proposed site is satisfactory.

Since the date of the exchange of notes referred to above, it has been understood that the exigencies of the war and the scarcity of materials made it impossible to consider the removal of the station. I am wondering, however, whether the time has not come now when the inconveniences resulting from the present location of the station are not more serious than the removal to the new site would prove to be. It would probably be desirable to continue to use the present station until such time as the new one is ready for use, thus providing for as little interruption as possible to traffic.

I would appreciate it if you would look into the matter at your convenience and let me know whether in your judgment we may inform the Panamanian Government that we are ready to proceed with the fulfillment of our commitment to remove the station.

Sincerely yours, For the Secretary of State:
EDWARD R. STETTINIUS, JR.
Under Secretary

103.91402/6

The Secretary of State to the Chargé in Panama (Muccio)

No. 3181 WASHINGTON, June 3, 1944.

SIR: Reference is made to your despatch no. 5398 of April 22, 1944 [21] reporting certain conversations which resulted from the visit to the Republic of Panama of officials of the Public Roads Administration in April 1944. The memorandum [21] which accompanied your despatch describes a proposition which would appear to have the informal approval of the Embassy, the representative of the Public Roads, the Commanding General of the Canal Zone and certain high officers of the Panamanian Government and which concerns the so-called Pacora Road. If the Department's understanding of this project is correct it involves an agreement that the United States pay one-half of the cost of the construction of a newly aligned road between a point on the P–8 Highway to La Joya No. 1 on condition that the Panamanian Government agree that the commitments of this Government under Article 8 of the Defense Sites Agreement are limited to payment of the maintenance of the Trans-Isthmian, Rio Hato High-

[21] Not printed.

ways and the Pacora Road as long as the Agreement remains in effect.

The Department considers that there is some merit in this proposition, provided that it may be accomplished by an interpretation of Article 8 of the Agreement and does not entail an opening of the Defense Sites Agreement for amendment. However in going into this matter here the Department has found cause for some very genuine concern.

It appears from correspondence with the War Department in regard to the Pacora project that high officers of that Department in the Canal Zone have been in direct, although informal contact with the highest authorities of the Panamanian Government. As a result of such discussions and reports upon them to the War Department last March, that Department made a specific proposal to the State Department which would have involved an amendment to Article VIII of the Defense Sites Agreement. At that time it became apparent that the view of the War Department and the Public Roads Administration were divergent in regard to the alignment and the cost of the Pacora road. It was decided to await the outcome of the visit of the Commissioner of Public Roads to Panama before replying to the letter of the Secretary of War.

The Department has now received a letter from the Commissioner in which he sets forth substantially the same proposition as is contained in the last paragraph of the memorandum enclosed with your despatch under reference. When this proposal was referred to the War Department the latter expressed considerable surprise. The War Department explained that it had had no word from the Commanding General in the Canal Zone that the ideas of the Public Roads Administration were acceptable to him and stated that in the absence of some very controlling reason it had the most positive objections to the costs involved in this newest proposal.

The Department, therefore, has written to the War Department and the Public Roads Administration stating that it stands ready to be of assistance at any time in approaching the Panama Government on any matter calculated to improve the defense of the Canal but that it cannot undertake to reconcile the divergent views of those responsible for the construction and maintenance of such roads. It was suggested that when a definite proposal that has the approval of these agencies is presented this Department will consider what approach, if any, should be made to the Panamanian Government.

You are desired to bear in mind in any subsequent discussions you may have on this general question that the Department is opposed to any alteration of the Defense Sites Agreement unless a change is found to be in the national interest. It is feared that the opening of the Agreement to amendment might easily result in the proposal of

amendments by the Panamanian Government to which this Government would have substantial objection. Furthermore, the Department must insist that all discussions or contacts between officials of this Government on official matters of this nature be conducted in Panama only through the Embassy. It was highly undesirable in connection with this particular project for the Panamanian Government to be requested to consider a proposition that had not previously been brought to the attention of this Department.

Very truly yours, For the Secretary of State:
A. A. BERLE, JR.

819.154/709

The Chargé in Panama (Muccio) to the Secretary of State

No. 5566 PANAMÁ, June 13, 1944.
[Received June 19.]

SIR: I have the honor to acknowledge the receipt of confidential instruction No. 3181 of June 3, 1944, concerning the Pacora Road project. I desire to assure the Department that the preliminary discussions regarding this project at no time contemplated an amendment to Article VIII of the Defense Sites Agreement. I shall bear this in mind in any future discussions and have also brought the Department's opposition to any alteration of the Agreement to the attention of the Commanding General of the Panama Canal Department.

My despatches Nos. 5069 dated January 19, 1944, and 5398 of April 22, 1944,[22] mentioned informal preliminary discussions regarding the Chepo road [23] between United States and Panamanian officials. I should like to explain in this regard that it was made clear to the President and to the Minister of Health and Public Works [24] of Panamá that all of the discussions were merely to bring about a meeting of minds as to what might be done and that the definite proposal of the Government of the United States of America would be submitted eventually by the Department of State through the Panamanian Embassy in Washington.

The possibility of having the proposal for the construction of the Pacora Road include a provision that in view of the very liberal attitude being taken by the United States in the construction of these roads—which will be of tremendous benefit to Panamá—and the maintenance by the United States of the Rio Hato, the Trans-Isthmian and the Pacora Roads entirely at its own expense during the period of the emergency might be considered to be in complete satisfaction of the

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[22] Neither printed.
[23] For an identification of this road, see memorandum of conversation, dated October 12, p. 1437.
[24] Juan de Arco Galindo.

provisions of Article VIII of the May 18 Agreement was never mentioned in any way to the Panamanian authorities. I discussed the desirability of such an understanding with the Commissioner of Roads of the United States. I desire to go on record at this time as recommending that such an understanding or interpretation of Article VIII of the Defense Sites Agreement be given all possible consideration at the time the Pacora project is presented to Panamá. I am confident that the difficulty of ascertaining just what amount the United States should pay towards the annual cost of maintenance and repairs of all Panamanian roads used periodically or frequently by the armed forces of the United States will be so complicated that it may lead to difficulties and misunderstandings in the future.

Regarding the fourth paragraph of the Department's instruction, it is my understanding that General Brett desires a good road to Pacora to provide adequate motor communication to the base at La Joya No. 1, and also to have this road tie-in with the P–8 Road. This would give him good road facilities for moving his forces from La Joya through to the Caribbean area, as well as tying in with the Zone road system which in turn connects on through to Rio Hato. General Fleming[25] and Mr. MacDonald were in agreement that the tie-in road from the Trans-Isthmian (P–8) to Juan Diaz be built entirely at the expense of the Government of the United States and that from Juan Diaz to Pacora (La Joya No. 1) the Government of Panamá and of the United States share the cost equally. At that time the local representatives of the P. R. A. were instructed to make a survey and engineering study of these two sections, the results of which would be incorporated in the project to be submitted to Panamá through formal channels. It was further understood that the roads were to be built by P. R. A. from funds which the F. W. A.[26] has available for access roads to military sites and General Brett was to certify to the War Department that this was to be an essential defense project.

Respectfully yours, JOHN J. MUCCIO

711F.1914/7–2044

Memorandum by Mr. Robert G. McGregor of the Division of Caribbean and Central American Affairs

[WASHINGTON,] July 26, 1944.

The attached reply of the War Department[27] to our inquiry concerning its attitude toward the present removal of the railway station in Panama is based on a lengthy quotation, a statement of the

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[25] Maj. Gen. Philip B. Fleming, Administrator, Federal Works Agency.
[26] Federal Works Agency.
[27] Not printed.

Governor of Panama Canal with which the Acting Secretary of War acknowledges his concurrence.

(1) The Governor states that he is not satisfied with the survey made by former Governor Edgerton. He has ordered another survey.

(2) It is at present impossible to estimate the amount of post-war railway traffic the station will have to handle.

(3) In view of the scarcity of labor, materials and shipping space, now is not the time to embark on any construction that is not immediately necessary.

(4) The Governor advances hypothesis that previous agreements between the United States and Panama have not settled the matter as to who is to pay for the new station. The Governor reasons that the Panama railroad could not be reasonably expected to pay for the removal of the station which is a convenience to Panama.

(5) In summary, the Governor and the War Department recommend that the removal of the station "be postponed until a time to be agreed upon later, subject to the termination of the war, and that the State Department be requested to give further consideration in the meantime to the manner of financing the project when it is undertaken".

I have been through the record of the discussions which led to the 12 point agreement of May 18, 1942, and I fail to find any mention as to who is to pay for the new station or the manner by which its removal is to be financed.

I would very much appreciate the views of Mr. Duggan concerning this matter in view of his acquaintance with the discussions which led up to the agreement of May 18.[28]

819.154/10–1244

Memorandum of Conversation, by Mr. Robert W. Bradbury of the Division of Caribbean and Central American Affairs

[WASHINGTON,] October 12, 1944.

Participants: Mr. John L. Humbard, Public Roads Administration
Mr. H. H. Wilson, CCA
Mr. R. W. Bradbury, CCA

Mr. Humbard stated that he had recently returned from Panama and that he was planning to visit at the Embassy of Panama in Washington this afternoon and thought that he might be asked about the present status of the Chepo Road in Panama, and, consequently, wanted to inform the State Department of the latest developments and see if we had any objection to his discussing the matter informally with the Panamanian Embassy.

[28] In a memorandum dated July 28, 1944, to Mr. Cabot and Mr. McGregor, Mr. Duggan expressed the view that it was implicit in the nature of the arrangement that the United States was to pay for the removal of the station, and he recommended that the cost of building the new station be shared equally by the two Governments (711F.1914/7–2044).

Mr. Humbard stated that in April, 1944, our Chargé d'Affaires, Mr. Muccio, the President of Panama, and Mr. Galindo in general approved the Project calling for the completion of the Road by the Public Roads Administration. The matter is now being sent through formally by General Brett to the War Department, and as soon as it has cleared in the War Department, it will be possible for the State Department to make a formal presentation to the Panamanian Government. The present plan is as follows:

Public Roads will construct from the P–8 cut-off at the edge of Panama City, to Juan Diaz. The Army has set aside 900,000 dollars for this although the estimated cost is 600,000 dollars. The road would then be extended from Juan Diaz to Pacora (the location of two Army Auxiliary fields known as La Jolla I and La Jolla II), and this construction would be paid by the 50 per cent contribution by the United States Army and a 50 per cent contribution by the Panamanian Government.[30] That section of the road from Pacora to Chepo would be constructed entirely at the expense of the Panamanian Government, but the Public Roads Administration would undertake to complete construction of the distance.

Mr. Humbard said that Public Roads was very anxious to have this matter rushed as soon as the approval of the War Department has been secured, because it would be desirable to move the supplies and equipment so that actual construction could take place during the next dry season (normally from December to April).

Mr. Humbard also thought that we should notify him as to whether the Department could perceive any objection to his mentioning this matter to the Panamanian Embassy. The matter was then discussed by Messrs. Cochran[31] and Cabot, and Mr. Humbard was called and informed that it would be all right for him to mention this matter to the Embassy informally, but that the Department hoped that the War Department and Public Roads could notify us shortly of the final terms so that they could then be formally transmitted to the Government of Panama by the Department.

819.00/12–1844 : Airgram

The Secretary of State to the Ambassador in Panama (Warren)

WASHINGTON, December 18, 1944—11 : 30 a. m.

A–1126. On night of December 13 the Panamanian Foreign Minister left for Rochester by plane, after concluding a 3-day stay at

[30] In a memorandum of December 4, 1944, by H. H. Wilson, it was stated that the decision of the War Department on the two segments of the road, the expense of which was to be paid by that Department, was that the course of the war did not justify the expenditure as a war measure (819.154/12–444).

[31] William Pearsol Cochran, Assistant Chief, Division of Caribbean and Central American Affairs.

Blair House. While his visit was regarded as private and unofficial, it provided an opportunity to discuss various subjects of mutual interest to the two Governments. In accordance with the Foreign Minister's request, this Government has not issued a press release regarding the conversations, but Foreign Minister issued one on the eve of his departure.

In regard to labor the Foreign Minister complained in a friendly way of unequal treatment and pay to Panamanians performing same work as Americans; unequal opportunity to fill skilled positions; use of gold and silver terminology; and the recent raise in the dividing line between gold and silver employees to 50 cents per hour from 48 cents per hour. In reply, Department made no commitments, but stated its desire as always to take remedial measures wherever justifiable.[32]

The Foreign Minister urged desirability of a commercial airport outside Canal Zone. He was told that priorities for construction materials could not now be obtained because they could not be justified on ground of military necessity.

The Foreign Minister referred to Panama's constitutional inability to continue Aviation Board established under agreement of 1929,[33] as well as Panama's desire to arrange for new international board. The Department did not concede Panama's right unilaterally to terminate the 1929 agreement, but stated that the United States is disposed to negotiate with a view to replacing agreement of 1929 if a mutually satisfactory solution can be developed subject to necessary safeguards as to Panamanian sovereignty and requirements for protecting Canal, and that perhaps a new Board could be set up.

The Foreign Minister was informed that Panamanian cement project had been approved but that priorities would have to be sought later. He was told that due to importance of slum clearance project to war effort this Government would give Panama special facilities to purchase materials; that his request for unspecified materials to construct a tuberculosis hospital would be considered sympathetically; and that the National Housing Agency would make available to Panama an architect for the housing project, as Panama had requested.

The Foreign Minister did not deny the legal merits of the El Encanto claims[34] but urged that Panama was poor and asked Department to justify the sum of $470,000 requested. This was done. In

[32] For correspondence on United States concern with labor problems in the Canal Zone, see pp. 1440 ff.

[33] *Foreign Relations*, 1929, vol. III, p. 728.

[34] The Encanto tract of land, owned by American citizens, was confiscated through court and legislative action by the Panamanian Government. In the eyes of the American Government, the procedure employed in the case constituted a "denial of justice" to the American owners.

reply to his inquiry whether Department would consider a counter-proposal for a smaller sum, he was informed that claimants would hardly be willing to accept less than above-mentioned amount based on approximately $3 a hectare, when many of them had actually paid $12.50 per hectare for their land. He said Panama claimed the sum (understood to be $172,000) held by Panama Canal in a surplus water account, and wished that this be set off against amount of El Encanto claims. Department declared its unwillingness to link the two legally but expressed a disposition to consider the two matters simultaneously, and requested a memorandum from Panama on its claims.

The Foreign Minister expressed his Government's desire to secure Patilla Point [35] from the Army for a hotel site. He was informed that it seemed appropriate to discuss this when the general question of defense sites was reviewed after the war, and when materials were available. The Army has courteously placed a plane at the Foreign Minister's disposal for his return to Panama. The whole visit went off in great cordiality. The Foreign Minister seemed particularly appreciative of the Secretary's dinner and his remarks at the Pan American Union luncheon.

Lewis did not mention the Aviation Board or El Encanto claims in his statement to the press and suggested that these matters, being of political import, should not be mentioned in Panama for the time being.

STETTINIUS

ALLEGED DISCRIMINATORY LABOR PRACTICES IN THE CANAL ZONE

811F.504/454

Memorandum by Mr. Robert G. McGregor of the Division of Caribbean and Central American Affairs [36]

[WASHINGTON,] March, 1944.

EMPLOYMENT OF PANAMANIANS IN THE CANAL ZONE

. . . . . .

Observations and Conclusion.

The State Department has always maintained that the employment policy of the Panama Canal is one for decision by the War Department. The Department of State's principal interest has been in seeing that our international commitments with Panama are carried out.

As has been said this Department is not in a position to either verify or refute many arguments advanced in the memorandum pre-

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[35] A defense site.

[36] Submitted on March 16, 1944, to Mr. Jonathan Daniels, Administrative Assistant to President Roosevelt.

sented to the Secretary [37] on behalf of Lombardo Toledano.[38] The Embassy in Panama reports that Governor Edgerton of the Canal Zone, who was furnished with a copy of the document, is preparing a detailed reply to the accusation contained therein. For its part the Department of State makes the following observations:

1. The records of the Department reveal an absence of determined interest on the part of the Panamanian Government regarding allegations of discrimination against its nationals employed in the Canal Zone. It should be realized in this connection that if Panamanian citizens in the Zone are to receive wages equal to those paid American citizens that this will have an inflationary effect upon wages to be paid Panamanian labor in the Republic of Panama. One of the most acute problems facing the friendly administration in Panama is price control in the face of an unbridled rise in the cost of living and a slack in employment. Hence, it is submitted that we should be very careful before embarking upon a policy which would have severe repercussions upon the delicately balanced economy of the Republic.

2. Also the question might arise if Executive Order Number 8802 [39] is to apply to the Canal Zone, as to whether the same principles of equality should not apply in the case of all contracts entered into between agencies or persons acting on behalf of the United States Government and alien labor in foreign countries. This Department believes that such a question is answered by the assertion that contracts for performance in foreign countries invariably require payment of non-United States employees at levels set out in legislation of the country where the work is done.

3. In view of the extraordinary defense construction contracts of the past few years in the Canal Zone, alien laborers, principally from Jamaica, Costa Rica, El Salvador, and Colombia, have been brought to work in the Zone. If these persons have been subjected to discriminating treatment they might on returning to their respective countries spread propaganda not at all favorable to the United States. Such laborers can have a real appreciation of the issues involved in a question of this kind. Nevertheless these issues do furnish real fuel for agitators and the poorly educated worker.

4. Lombardo Toledano could hardly have seized upon an issue that contains so many of the elements he uses so handily in pleading the cause of the underprivileged Latin worker (race discrimination; "Yankee Imperialism"; color barriers; wage differentials; exclusive privileges; commissary regulations; etc.) than this one of discriminatory employment practices in the Zone. Historically the Canal Zone

[37] Memorandum concerning alleged labor discriminatory practices in the Canal Zone; handed to Secretary Hull on February 10, 1944, not printed.

[38] President of the Confederación de Trabajadores de la América Latina (CTAL), Federation of Workers of Latin America.

[39] Order of June 25, 1941, 6 *Federal Register* 3109.

was established at a time when in our national self interest we were most "imperialistically" inclined and doubtless some of the practices inaugurated during that period continue to prevail.

5. The Embassy in Panama in reporting on this general subject of labor, both in the Republic and in the Zone, has pointed out that all Panamanian labor organizations are weak and impotent. It is not believed that these organizations of themselves could raise this issue to a point where it would cause any preoccupation to either Government for a long time to come. The importance of the problem cannot be overlooked. The interjection of Toledano into this field takes the matter out of the hands of impotent local groups and makes it an issue of more than local importance. It may pit the CTAL (Lombardo's organization) against the AFL on ground of Lombardo's choosing. The Metals Trade Union in the Zone and an affiliate of the AFL is a potent organization deeply entrenched and jealous of the prerogatives built up over the years.

6. This Government cannot overlook the fact that any abrupt change of policy in regard to employment in an area so strategically important as the Canal Zone might have most unfortunate effects during the war. It is one thing to make certain that Canal Zone practice conforms to our commitments to Panama and an altogether different and far more serious matter to proceed hastily to a fundamental reform of this practice. Doubtless this will have to be undertaken sometime in the future but to do it now might easily be prejudicial to our national security and the defense of the Hemisphere.

7. The President's Committee on Fair Employment Practice might be asked for a ruling as to whether in its belief Executive Orders Nos. 8802 and 9346 [41] apply to the Canal Zone. If they do, then it would seem apparent that this same Committee is the proper agency to determine whether or not the Canal Zone Authority in its employment practices is adhering to the policy and commitment of this Government regarding equality of treatment between American and Panamanian citizens.

811F.504/458

The Chargé in Panama (Muccio) to the Secretary of State

[Extracts]

No. 5422 PANAMÁ, May 3, 1944.
[Received May 9.]

SIR: I have the honor to refer to despatch No. 5401 of April 28, 1944, entitled "Transmitting Governor's Report together with Em-

[41] Order of May 27, 1943, 8 *Federal Register* 7183.

bassy's Comments on Panamanian Labor Memorandum concerning Canal Zone Employment Policies",[42] and to previous correspondence relating to numerous recent protests alleging racial and nationalistic discrimination in Canal Zone employment policies.

There are now enclosed a copy and office translation of a memorandum dated April 29, 1944,[42] from Dr. Fabrega, the Minister of Foreign Relations, transmitting copies of three circulars from the Engineer Division of the Panama Canal Department[43] which, it is alleged, indicate discrimination against Panamanian citizens specifically in the matters of payment of overtime, wage scales and leave benefits. It is pointed out that this discrimination is contrary to the democratic principles which characterize the relations of the several American Republics, and that it is especially opposed to the contractual obligations of the United States as evidenced in the exchange of notes of March 2, 1936 which accompanied the signing of the General Treaty with Panamá.[44] The Foreign Minister then goes on to cite statements by President Roosevelt and statutes of the United States Congress as indicative of the expressed policy of the United States with respect to equality of opportunity and treatment for Panamanian citizens in the works of the Canal.

. . . . . .

It might also be pointed out that the three memoranda cited as the *causes célèbres* apply as much to the better class white Panamanian employee as to the lower type. The fact that this has brought forth a prompt and more or less official complaint would appear to bear out the Embassy's contention in the despatch under reference to the effect that the danger of violent reaction would become especially acute as these better educated and qualified Panamanians who have until recently been practically at parity with American citizen employees, begin to feel directly the sting of the allegedly discriminatory measures which have hitherto motivated only the professional agitators and the less powerful lower type of Panamanian.

Furthermore, this is the first instance known to the Embassy where there has been different treatment accorded employees within the same class on the basis of their nationality. Formerly there were complaints that it was difficult for a non-American to be placed in a higher employment class. However, if he did succeed in being so placed, he received the same treatment as all other members of the same class, whether American or alien. In this instance, however, it will be

[42] Not printed.
[43] One of four overseas departments of the Army Service Forces.
[44] Department of State Treaty Series No. 945; 53 Stat. (pt. 3) 1807.

noted that employees within the same employment class receive one standard of treatment if Americans, and another, if not.

. . . . . .

Respectfully yours, JOHN J. MUCCIO

811F.504/459

The Chargé in Panama (Muccio) to the Secretary of State

No. 5512 PANAMÁ, June 2, 1944.
[Received June 5.]

SIR: I have the honor to refer to my despatch No. 5422 of May 3, 1944, entitled "Minister of Foreign Relations Complains of Alleged Discrimination against Panamanian Citizen Employees in the Canal Zone", and to previous correspondence relating to numerous recent protests alleging racial and nationalistic discrimination in Canal Zone employment policies.

I am now enclosing a copy of a letter dated May 18, 1944 [45] from Lieutenant General George H. Brett, Commanding General of the Caribbean Defense Command, which is based principally on the concept that the expression of the policy of equality of opportunity and treatment contained in the exchange of notes that accompanied the signing of the General Treaty of 1936 applies only to employees of The Panama Canal [46] and Panama Railroad Company [47] and not to employees of any other United States Government agencies upon the Isthmus. He further advises that he is following implicitly all Acts of Congress and Directives of the War Department with respect to these matters.

There is also enclosed a copy of a letter dated May 19, 1944, and enclosure,[48] from Brigadier General J. C. Mehaffey, Governor of The Panama Canal, in reply to the Foreign Minister's memorandum pointing out that the complaint is directed against an Army agency and does not pertain to The Panama Canal or Panama Railroad. He goes on, however, to set forth the practices and policies of the Canal Administration regarding the subjects concerned.[49]

This Embassy will take no further action on this matter pending receipt of instructions from the Department.

Respectfully yours, JOHN J. MUCCIO

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[45] Not printed.

[46] Name applied to the Canal Zone Government which operated temporarily under the direction of the military commander of the Panama Canal Department.

[47] An instrumentality of the United States Government.

[48] Neither printed.

[49] For overtime work pay was computed at the rate of 1½ for gold roll employees for hours in excess of 40 per administrative workweek, and at the same rate for silver roll employees for hours in excess of 10 per day and for Saturday and Sunday. For an explanation of the terms "gold" and "silver" employees, see *Annual Report of the Governor of the Panama Canal, 1945*, p. 64.

811F.504/6–244

Memorandum to Mr. Jonathan Daniels, Administrative Assistant to President Roosevelt [50]

[WASHINGTON,] June 2, 1944.

I desire to confirm in writing the opinion expressed orally to you, namely, that the Department of State attaches great importance to according Panamanian citizens equality of opportunity and treatment with United States citizens in connection with employment of labor by the United States in the Canal Zone. In the first place, this Government pledged itself at the time the 1936 general treaty with Panama was signed to accord such equality of opportunity and treatment. This Government has insisted upon compliance by Panama with a number of stipulations important to us in that treaty so that it is highly important that this Government for its part comply with provisions of particular interest to Panama. In the second place, labor conditions in the Canal Zone are observed carefully by all of the countries bordering on the Caribbean Sea so that it is very important that the labor policy of this Government be in accord with the general principles that the Government professes in connection with labor matters.

The Department is most anxious that something be done at once to bring labor practices in the Canal Zone into conformity with our commitment to Panama. In this connection there has been brought to our attention the suggestion of Governor Mehaffey of The Panama Canal that you make a visit to the Canal Zone in order to go into this suggestion at firsthand. This recommendation has the very hearty support of the Department. I hope that you will be able to make the trip. In the event that you go our Embassy at Panama would, of course, be instructed to lend you full support and assistance.

811F.504/458

The Acting Secretary of State to the Secretary of War (Stimson)

WASHINGTON, June 5, 1944.

MY DEAR MR. SECRETARY: The Embassy of the United States in Panama received a memorandum from the Foreign Minister of the Republic of Panama dated April 29, 1944 [51] in which complaint is made of the contents of three Circular Instructions issued by the Headquarters, Panama Canal Department and described as Division Memoranda nos. 11, 12 and 13–44, all dated February 4, 1944.[52]

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[50] Presumably drafted by Laurence Duggan, Director, Office of American Republic Affairs.

[51] Not printed.

[52] None printed.

The Foreign Minister in his memorandum, a copy of [which] is enclosed, raises a very serious issue and one which has been made the subject of another protest from the Latin American labor leader, Lic. Lombardo Toledano, namely that of alleged discrimination against Panamanians in employment practices in the Canal Zone. As the Foreign Minister quite appropriately points out, the United States Government is committed to a policy of equality of opportunity and treatment as between United States and Panamanian citizens working in the Zone.

I realize the complications that arise from a consideration of this problem in the Zone. Nothing must be permitted to interfere with the efficient operation of the Canal. On the other hand, it is obviously necessary that international commitments to which this Government is a party be respected. One of these is set forth in the exchange of notes with the Panamanian Government dated March 2, 1936, a copy of which is attached for your convenient reference.[52a]

This Department offers no positive suggestions for the amelioration of the conditions complained about. I have, however, instructed our Embassy in Panama to acknowledge the receipt of the Foreign Minister's memorandum and to state that the appropriate Departments of the United States Government are making a full study of this problem, in order to determine the facts and the measures to be taken to correct discrimination if in fact it exists. Since the Foreign Minister complained particularly of certain divisional memoranda, you might desire to direct that a report be made to determine the reasons for these instructions.

I have already received a copy of the report [53] prepared by former Governor Edgerton of the Canal Zone Department, but the Panamanian Government points to certain specific problems which I am sure we shall want to clear up at first opportunity.

If this Department may help in any way, I hope you will be good enough to let me know how.

Sincerely yours, EDWARD R. STETTINIUS, JR.

811F.504/458

The Secretary of State to the Chargé in Panama (Muccio)

No. 3182 WASHINGTON, June 5, 1944.

SIR: Reference is made to the Embassy's despatch no. 5422 of May 3, 1944 transmitting copies and translations of a memorandum and its accompanying documents from the Panamanian Foreign Office com-

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[52a] Not printed.

[53] Not printed; copy transmitted to the Department in despatch 5401, April 28, 1944, from Panama.

plaining against certain practices applied to laborers in the Canal Zone which are alleged to be discriminatory against Panamanian nationals and contrary to the declared policy of this Government as set forth in the exchange of notes of March 2, 1936 assuring equality of opportunity and treatment as between United States and Panamanian nationals in so far as employment in the Canal Zone is concerned.

As you are aware the treatment accorded aliens employed in the Canal Zone has been the subject of a memorandum [54] left with the Secretary on behalf of Vicente Lombardo Toledano by Señor Alejandro Carrillo, both Mexican labor leaders. A copy of this memorandum was forwarded to the President, who directed the Department to prepare a study of the policy aspects of this matter. A copy of this study [55] was forwarded to you informally. A copy of Toledano's memorandum was likewise made available to the former Governor of the Canal Zone when he was in Washington last February. The Governor's office prepared a summary study in reply to the memorandum, and the Embassy submitted a copy of this study together with observations to the Department with despatch no. 5401 of April 28, 1944.[54]

The Department takes a very serious view of the situation which is now the subject of complaint on the part of the Panamanian Government. For your confidential information the President, upon the recommendation of those handling the matter for him and with the approval of the Department, has written to the present Governor of the Canal Zone and has expressed his concern and asked to be informed what measures the Governor contemplates taking to bring labor employment practices into conformity with the commitments of the Government as principally set out in the exchange of notes between the United States and Panamanian Governments dated March 2, 1936.

For its part the Department of State has written to the War Department [56] informing it of the official protest now received from the Panamanian Government and requesting information concerning the reasons for the issuance of Administrative Memoranda nos. 11, 12, 13–44 [57] when these orders appear to be so much at variance with the commitments of this Government.

You are instructed, therefore, in reply to the Foreign Minister's memorandum to inform him that this matter has been taken under advisement by the United States Government and that the appropriate departments of this Government, viewing with concern the

[54] Not printed.
[55] For text of the conclusions of the study, see pp. 1440–1442.
[56] Letter of June 5, *supra*.
[57] None printed.

matters complained of, are making a full study and will take the first opportunity to reply, as soon as the facts have been assembled.

Very truly yours, For the Secretary of State:
DEAN ACHESON

811F.504/8–1144

Memorandum of Conversation, by the Ambassador in Panama (Warren) [59]

PANAMÁ, August 11, 1944.

Participants: Foreign Minister Lewis
General Brett
Colonel Montesinos,[60] translator for General Brett
Ambassador Warren

At the end of an hour and forty-five minute conversation that ranged from the friendly and informal to guarded and slightly irritated, the following resolutions were proposed and accepted to guide the informal contacts between the Foreign Minister and General Brett, always with my informal knowledge of the instances as they are presented and resolved:

It was agreed that complaints of labor discrimination presented through Panamanian channels to the Foreign Minister should be handled directly and informally through memorandum to one of General Brett's aides. It was understood that in no case would the General permit a policy of discrimination of any kind against Panamanians to become apparent, if he could avoid it. The Foreign Minister said he appreciated this immensely. It was agreed that any publicity to be issued by the Army on labor practices would first be brought informally to the attention of the Foreign Office and that the Public Relations representative of the Foreign Office would consult with the Public Relations officer of the Panama Canal Department, at General Brett's headquarters, before any further publicity or public notice was given regarding change of labor practice. This is in order to avoid any unnecessary comment or the possibility of misinterpretation and misunderstanding. It was agreed further that in the event that the Foreign Minister and General Brett could not reach agreement through informal conversations on any points relating to labor practices that one or the other, or both, would bring such matters to my attention in the hopes that they could be resolved informally here in Panamá and not become the subject of formal dispute between the two Governments. Both the Foreign Minister and General Brett

[59] Copy transmitted to Mr. Robert C. McGregor, Division of Caribbean and Central American Affairs, by the Counselor of Embassy in Panama (Muccio) under covering letter of August 11, not printed.

[60] Col. Serafín M. Montesinos, Assistant Chief of Staff, Intelligence Section, Caribbean Defense Command.

professed the strongest intent to work cordially and frankly the one with the other, and both expressed their understanding of the necessity and responsibility that lies on each of them in terms of physical security of the Canal, its most efficient operation, and the moral obligation arising out of American and Panamanian relations always to follow the line of personal good will and cooperation in order to maintain understanding.

A. M. WARREN

811F.504/8–744 : Telegram

The Acting Secretary of State to the Ambassador in Panama (Warren)

WASHINGTON, August 11, 1944—8 p. m.

306. The Department hopes that the new regulations applying to alien War Department employees in the Zone to be issued by the Commanding General as stated in your despatch No. 168 of August 7, 1944 [61] will conform in every sense with the policy to which this Government stands committed even though that commitment was intended to apply only to Panamanian nationals in the employ of the Canal Zone and the Panama Railroad Company.

It is suggested, therefore, that you request the Commanding General to be good enough to let the Embassy study the regulations before they are issued; if, after discussing any particular point the Embassy and the Commanding General do not agree, it is the Department's wish that the text of the new regulations should be made available for study by the interested departments here in Washington prior to their issuance.

STETTINIUS

811F.504/8–1644

The Ambassador in Panama (Warren) to Mr. Robert G. McGregor, Division of Caribbean and Central American Affairs

PANAMÁ, August 16, 1944.

DEAR BOB: With further reference to John Muccio's letter to you of August 11 [62] transmitting memorandum of conversation between the Foreign Minister, General Brett and myself on August 11,[63] I want you to know that the sick and simple leave regulations governing foreign employees of the Panama Air Depot, which is a subsidiary organization of the Panama Canal Department, were issued yesterday—to take effect today. My confidential despatch No. 218 of today's

[61] Not printed; it concerned the cancellation of the Commanding General's orders discontinuing sick and annual leave (811 F. 504/8–744).
[62] Not printed.
[63] *Ante*, p. 1448.

date [63a] transmits clippings on this matter. These regulations are those agreed upon as being fair and equitable in the conversations held last Friday between the Foreign Minister, General Brett and myself. The publication of the notice in last night's and this morning's paper has thus far drawn no editorial comment because such political advantage as was obtainable from the situation was utilized by the Panamanian Government over the weekend and has already been reported. There are, however, two points that I think I should bring to your attention informally because they will be the subject of formal reporting as soon as they have been factually established. One is that permission has been given to "The Society of Latin American Members of the Panama Air Depot" to hold an indoor meeting tonight in one of the public schools to discuss—according to the announcement in the press today—the effect of the newly proclaimed simple and sick leave regulations on "Latin American" employees of the Panama Air Depot.

The second point is that General Brett sent directly by air today to the War Department Brigadier General George H. Lundberg, Commanding Sixth Air Force Service Command, for the purpose of recruiting from discharged and preferably disabled veterans of World War II technical personnel to be offered jobs in the Panama Air Depot, in accordance with President Roosevelt's expressed desire to provide employment when available to this group of citizens.

General Brett has given no publicity to this mission of General Lundberg. He did tell me, however, that the Panama Air Depot is a project very close to his heart. When he came here to take up his present command about two years ago he said he hoped to set up in Panamá a base depot organized along the lines of the large depot in Bangalore, Central India, and that he had given the project his close personal attention. His idea was to recruit and train as technicians Panamanian citizens who might be incorporated in the permanent payroll as an enduring element in the establishment under the supervision of American specialists. The General said that his regret is keen because of the continuing and progressive evidence he has seen (1), of the inability of Panamanians to qualify as technicians and (2), the disposition to make political issues out of situations that develop from time to time in the training program. His present disposition is to recruit World War veterans—American and Panamanian—where he can find them to the exclusion of civilian employees employed locally and now on the payrolls on a temporary basis. In my conversation with the General I gathered that he is well aware of the implications of this policy. Of course the change in employment conditions will depend upon the supply of veterans that may be recruited. I understand that General Brett has asked the appropriate officers in

[63a] Not printed.

the Pentagon Building to give General Lundberg facilities right across the continent.

Meanwhile, I shall continue to watch this labor situation as it develops. But I do want you to know that as I see it it is not in my hands nor as it may possibly develop can it be kept in the Department's hands. The question as it will be presented is what is the guarantee of equality of treatment in the "Zone" worth in terms of discharged American and Panamanian veterans of World War II who may apply for technical jobs here?

Yours sincerely, A. M. WARREN

811F.504/8–2144

The Secretary of State to the Ambassador in Panama (Warren)

No. 58 WASHINGTON, August 21, 1944.

SIR: Reference is made to the Embassy's despatch No. 5422 of May 3, 1944 enclosing a copy of a memorandum from the Panamanian Foreign Office dated April 29, 1944 [64] complaining of certain practices applied to alien employees in the Canal Zone which were alleged to be discriminatory against Panamanian nationals and contrary to the policy of this Government as set forth in the exchange of notes between the two Governments dated March 2, 1936.

As explained in the Department's instruction No. 3182 of June 5, 1944, the Secretary of War was requested to comment on the three memoranda of the Division Engineer that gave rise to the protest of the Panamanian Government. I am enclosing copies of an exchange of correspondence between this Department and the Secretary of War in this connection. A study of the letter from the Secretary of War dated July 31, 1944 [65] reveals that the Commanding General in the Canal Zone intends to issue regulations concerning overtime pay, wage scales and leave for alien employees which will supersede those regulations complained of by the Panamanian Government and that in so doing all possible consideration will be given to the issues raised by the Foreign Office.

In the memorandum from the Panamanian Government dated April 29, 1944, the text of the note of this Government dated March 2, 1936 is quoted in an endeavor to show that the memoranda of the Division Engineer were at variance with the commitment of this Government to equality of opportunity and treatment as between United States and Panamanian nationals employed in the Canal Zone. In order that there may be no confusion over the interpretation by the Panamanian Government of this Government's commitment in this matter, it is desired to point out that its obligation to extend equality of op-

[64] Enclosure not printed.
[65] Not printed.

portunity and treatment as between United States and Panamanian citizens applies only to those Panamanian citizens employed by the Panama Canal or by the Panama Railroad Company. It does not include those Panamanians in the Zone who are employees of the War Department proper. Such employees have heretofore been considered as subject to regulations and orders issued in the United States to control employment practices within the United States proper and its territories and possessions. This is the origin of the differences which have so far existed in employment practices of the two United States Agencies operating in the Canal Zone. For this reason the Department finds the following paragraphs quoted from the letter of the Secretary of War dated July 31, 1944 of particular interest:

"I have been advised that the Commanding General, Panama Canal Department is planning to issue regulations on overtime pay, wage scales and leave for Panamanian and other alien employees. These regulations will be designed to conform to the employment practices of the Panama Canal, which have been developed and followed over a period of forty years. The practices of the Panama Canal in this regard comply with the spirit and intent of the policy of equality.

"The regulations to be issued by the Panama Canal Department will supersede any regulations of the Division Engineer in conflict therewith. You may be assured that in developing these regulations every possible consideration will be given to the issues raised by the Foreign Minister of the Republic of Panama."

The Department suggests that before making formal reply to the Foreign Office memorandum of April 29, 1944 in the sense of this instruction you seek an early opportunity to discuss this matter with the Commanding General in order to determine what measures he contemplates taking to comply with the viewpoint expressed by the Secretary of War. You may then desire to draft a formal communication to the Panamanian Foreign Minister pointing out the fact that the obligations assumed by this Government in the accessory note of March 2, 1936 apply only to the employees of the Panama Canal and the Panama Railroad Company; that the regulations complained of by the Foreign Minister in his note dated April 29, 1944 are regulations issued by the Office of the Commanding General and that they therefore do not come within the scope of this Government's commitments. You may point out orally that the War Department has requested the Commanding General to so revise the regulations pertaining to alien employees of the War Department in the Canal Zone as to bring them into conformity with the practice followed with regard

to employees of the Panama Canal and the Panama Railroad Company. You may add whatever you gather from the Commanding General that you deem appropriate.

For your confidential information the Department does not consider that with this current exchange of notes with the Panamanian Government this matter of the treatment of Panamanian employees is by any means solved. It is hoped that the Panamanian Government will continue to bring to the attention of this Government all matters involving allegations of discrimination against Panamanian employees whenever they may arise within the Zone. This Government is resolved to carry out to the fullest extent consistent with the essential operation and protection of the Canal, the commitment to afford equality of opportunity and treatment as between the United States and Panamanian employees within the Zone.

Very truly yours, For the Secretary of State:
EDWARD R. STETTINIUS, JR.

811F.504/10–1144

The Ambassador in Panama (Warren) to the Secretary of State

No. 526 PANAMÁ, October 11, 1944.
[Received October 16.]

SIR: I have the honor to refer to my despatch No. 372, September 19, 1944,[66] regarding United States Army labor policies in the Canal Zone and announcing the formation of a special board for consideration of all civilian personnel matters, and to forward attached a clipping [67] from the *Star and Herald* of October 6, 1944 announcing the board's decision regarding annual vacations of civilian employees of the Panama Canal Department, United States Army.

It will be noted that the new regulations authorize the granting of vacations on a basis of equality as between United States citizen employees and non-United States citizens whose base rates of pay, without counting overtime, are more than 48 cents per hour, $100.00 per month, or $1,200.00 a year. The new regulations cover all civilian employees of the Army in the Canal Zone and went into effect October 1, to be continued for the duration of the actual emergency.

Respectfully yours, A. M. WARREN

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[66] Not printed.
[67] Not reprinted.

811F.504/12–1244

Memorandum of Conversation, by Miss Bonnie Farber of the Division of International Labor, Social and Health Affairs

[WASHINGTON,] December 12, 1944.

Participants: Mr. Samuel Lewis, Minister of Foreign Affairs of Panama.
His Excellency Don Enrique A. Jiménez, Ambassador of Panama.
Señor Don Mario de Diego, Director of Protocol of Panama.
Señor Don Narcisco E. Garay, First Secretary, Embassy of Panama.
Mr. Otis E. Mulliken, Chief of International Labor, Social and Health Affairs.
Miss Bonnie Farber—ILH.
Mr. Howard Wilson—CCA.

The Foreign Minister opened the conversation by stating that it was the earnest desire of his government that the relations between Panama and the United States continue on the usual friendly and cordial basis. For this reason he wished to discuss with us three problems concerning the Canal Zone which are of great importance to both governments:

(1) Elimination of discrimination;
(2) Elimination of "gold" and "silver" denominations; and
(3) The lowering of the "silver roll" limit from 50¢ to 48¢ per hour.

Mr. Lewis mentioned that under the treaty agreement of 1936 between the United States and Panama, the Panamanians were entitled to equal treatment as compared with the Americans but that actually equal treatment was not always practiced. He felt that the same situation was true in regard to discrimination against Panamanians on the "gold roll". It was mentioned that there are rumors in Panama to the effect that aliens, neither Panamanian nor United States citizens, seem to have preference over the Panamanians to the extent that over 800 to a 1000 are "gold roll" employees.

The Panamanians are now particularly concerned with reducing the "silver roll" limit from 50¢ per hour to 48¢ per hour. It was explained that the 50¢ per hour did not signify an increase in wage rates. Since the previous dividing line between the "gold" and "silver" roll had been the 48¢ per hour wage rate, raising it to 50¢ per hour meant that the number of Panamanians on the "silver roll" increased. The Panamanians viewed this development unfavorably.

It was pointed out, too, that the words "gold" and "silver" were particularly odious to the Panamanians. Mr. Mulliken inquired if

the cause of this irritation might be removed by changing the classifications to "skilled" and "unskilled" rather than "gold" and "silver". The Panamanian representatives seemed to feel that any classification other than "gold" and "silver" would represent an improvement.

Mr. Lewis commented favorably on a conference which he had had with General Brett before leaving Panama, in which he felt that some important improvements had been accomplished. The points covered in that discussion concerned:

(1) Vacations for "silver roll" employees, to be granted after thirty days of sick leave had been accumulated;
(2) The establishment of an office of complaints; and
(3) Overtime pay to be granted after eight hours of work, rather than after ten hours of work.

Other points mentioned at random during the conversation were:

(1) The desirability of equality of opportunity;
(2) The Panamanian representatives wished to have "gold roll" privileges extended to both white and colored Panamanians. Although the Foreign Minister, in an aside, mentioned that he doubted there could be any elimination of the color line itself; and
(3) That the salary discrimination between United States citizens and Panamanians doing the same type of work was undesirable.

The Foreign Minister, in closing, reiterated the earnest wish of his Government to cooperate with this Government. He stated that it was in the mutual interest of both countries that these difficulties be adjusted.

AGREEMENT BETWEEN THE UNITED STATES AND PANAMA RESPECTING COOPERATIVE EDUCATION

[For text of agreement effected by exchange of notes signed at Panamá November 13 and 14, 1944, see Department of State Executive Agreement Series No. 504, or 59 Stat. (pt. 2) 1871.]

PARAGUAY

DISCUSSIONS BETWEEN THE UNITED STATES AND PARAGUAY ON TRADE PROBLEMS[1]

103.9169/3241 : Airgram

The Ambassador in Paraguay (Frost) to the Secretary of State

ASUNCIÓN, April 15, 1944—8:45 a. m.
[Received April 21—2 p. m.]

A-123. For FEA,[2] Crowley[3] & Dodson.[4] Reference is made to circular airgram March 30, 1944, 7:30 p. m.,[5] regarding a farther roll-back of decentralization to a minimum positive list as of July 1st, 1944.

In view of earlier removals of large groups of commodities from the decentralization procedure[6] and also the relaxed control over shipments valued at less than 10,000 dollars announced by FEA, this Mission believes that the use of a minimum positive list would be desirable; not only because it implies removal of more commodities from decentralization, but also because it will provide a more definite basis for determining in each case whether an import recommendation is necessary or not.

FROST

611.3431/76 : Telegram

The Ambassador in Paraguay (Frost) to the Secretary of State

ASUNCIÓN, April 24, 1944—noon.
[Received 2 p. m.]

230. Finance Minister[7] assures me again that our proposals for trade agreement will be accepted before he resigns office within the next 2 or 3 weeks. He has induced the new Minister of Industry and

[1] For previous correspondence regarding the control of exports from the United States to Paraguay, see *Foreign Relations*, 1943, vol. v, pp. 267 ff. For previous correspondence on negotiations respecting a trade agreement between the United States and Paraguay, see *ibid.*, vol. VI, pp. 701 ff.

[2] Foreign Economic Administration.

[3] Leo T. Crowley, Foreign Economic Administrator.

[4] Raymond I. Dodson, Assistant to the Director, Pan American Branch, Bureau of Areas, Foreign Economic Administration.

[5] Not printed.

[6] For correspondence on the decentralization plan of lodging some of the export controls in the countries of destination, see *Foreign Relations*, 1943, vol. v, pp. 106 ff.; see also the circular airgram of February 15, 1944, *ante*, p. 653.

[7] Rogelio Espinoza.

Commerce [8] to leave the matter in his (the Finance Minister's) hands. I had feared that the Minister of Industry and Commerce would insist upon going into the entire problem anew.

FROST

611.3431/77

The Ambassador in Paraguay (Frost) to the Secretary of State

[Extract]

No. 2133 ASUNCIÓN, May 27, 1944.
[Received June 3.]

SIR: Referring to my telegram No. 230 of April 24, 12 noon, 1944, I have the honor to report that I have made very special efforts during the past four or five weeks to secure a favorable reply from Paraguay on the matter of the trade agreement which has been under negotiation. The President [9] personally promised me to arrange its approval, as did the Foreign Minister.[10] The difficulty has lain with the Minister of Finance, and I regret to say that there is little likelihood of securing his consent at this time. . . .

. . . . . .

Respectfully yours, WESLEY FROST

740.34112A/94 : Airgram

The Chargé in Paraguay (Reed) to the Secretary of State

ASUNCIÓN, May 31, 1944—12 : 45 p. m.
[Received June 7—8 a. m.]

A-222. Reference Department's circular airgram of May 19, 1944, 9 : 00 a. m.[11] in connection with the checking of unknown consignees in license applications involving amounts less than $10,000.

The Embassy believes that this question should be considered in connection with the Department's policy and outlook on Proclaimed List enforcement and that this is particularly true in small countries such as Paraguay. The Embassy, without a detailed examination of Import Recommendations that have been submitted, is of the opinion that there are only six Paraguayan importers who could make importations covered by one license application amounting to $10,000 and each of these six is considered politically and commercially desirable. (Banco Agrícola del Paraguay (Government bank), Ferrocarril Central del Paraguay, International Products Corporation, Liebig's Extract of Meat Co., Ltda., Industria Paraguaya de Carnes

[8] Juan Felix Morales.
[9] Higínio Morínigo.
[10] Horacio Chiriani.
[11] Not printed.

S. A., and West India Oil Co., S.A.P.A.) In other words, if a policy is followed of checking unknown consignees only on license applications in excess of $10,000, as far as Paraguay is concerned no effective control of consignees will exist except as is provided by the Proclaimed and Confidential Lists.

It is the Embassy's opinion that strict enforcement of the Proclaimed List [12] necessarily involves some degree of control of United States exports at the source. It is apparent that if such control is not feasible the situation degenerates into an attempt to control distribution locally and with no effective control over local importers including those who may be newly established for speculative or cloaking purposes. Control of consignees was complete during the short period when no exportations were made from the United States except as covered by Import Recommendations; apparently it was not expedient to continue that control and so it must be admitted that as we relax those controls the most potent means of Proclaimed List enforcement is sacrificed.

1) The Embassy is of the opinion that the few submissions of names to it has assisted in the prevention of cloaking or other inimical activities.

2) For control purposes the Embassy would prefer that all unknown consignees be referred to it for checking on the basis of political desirability and to determine whether or not proposed importations (type of goods and value of shipment) might disclose intent to cloak.

If this is not possible Embassy requests opportunity to check political status and commercial activities of unknown consignees. No proposed shipments would be recommended for disapproval unless Embassy were prepared to recommend Proclaimed List or Confidential List action but recommendations for Confidential List action might be based on Department's inquiry.

The Embassy considers it necessary to maintain some control of prospective consignees if Proclaimed List enforcement is to be at all possible.

REED

103.9169 Asunción : Telegram

The Acting Secretary of State to the Chargé in Paraguay (Reed)

WASHINGTON, June 8, 1944—5 p. m.

176. From Crowley and Dodson, FEA. With reference to Decentralization rollback to be effective July 1 as per Embassy's 301, June

[12] For correspondence on the application of the Proclaimed List in Paraguay, see pp. 1479 ff.

1 [13] for materials which will not be on the positive list, the Foreign Economic Administration will:

1. Give due consideration to export applications accompanied by approved import recommendations;
2. For commodities not on the positive list, will endeavor through licensing to effect equitable distribution, referring any doubtful cases to Embassy for advice as has been practiced heretofore.

[Crowley and Dodson]
STETTINIUS

103.9169 Asunción : Airgram

The Chargé in Paraguay (Reed) to the Secretary of State

ASUNCIÓN, June 14, 1944—8 a. m.
[Received June 22—1 p. m.]

A-245. For Crowley and Zopf,[14] FEA. Reference airgram A-170, June 5, 1944, 5:10 p. m.[15] Export restrictions imposed by Argentina do not seem to be working dangerous hardship on Paraguay's economy so far but are resulting mainly in annoying delays and lengthy negotiations between commercial houses and licensing authorities in Argentina. An appreciable volume of essential goods is entering this country from Argentina in the clandestine trade.

The Embassy recommends no increases or additions to estimates of supply for this country at present but is keeping in close touch with the situation in order to inform the Department and FEA if any increased allocations are needed.

REED

103.9169 Asunción : Telegram

The Chargé in Paraguay (Reed) to the Secretary of State

ASUNCIÓN, June 15, 1944—6 p. m.
[Received 10:30 p. m.]

336. For Crowley and Dodson FEA. Reference Department's telegram No. 176 June 8, 5 p. m. regarding decentralization rollback. Country Agency approves proposal No. 1 and will issue import recommendations only in exceptional cases where preference is desired.

Country Agency still dubious of equitable distribution control and requests that FEA grant licenses for shipments to Paraguay only when applications are accompanied by Paraguayan import permits.

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[13] Not printed; the Ambassador reported that Paraguayan officials accepted the proposed rollback but were fearful that exhaustion of quotas and inequitable distribution would follow (834.24/693).

[14] Homer Zopf, Chief, River Plate Division of the Foreign Economic Administration.

[15] Not printed.

These are documents issued by the Bank of the Republic under the exchange control law No. 5017 of February 10, 1941, as approval for the granting of foreign exchange for the transaction covered. See despatch No. 1429 February 15, 1941.[16] This system has been used since February 1941 and represents no additional recent control nor should requirement of document unduly complicate FEA procedure. Any shipments not covered by these import permits are liable to rejection at the customshouse here and it is very probable that merchandise involved would be diverted to Argentina where it would be welcome.

Embassy would appreciate telegraphic confirmation in order that announcement of decentralization rollback and requirements of presentation of import permit to FEA may be made simultaneously so that importers here will be promptly informed of new requirement and any lag in presentation of import documents at FEA be reduced. Date of rollback announcement not yet received.

REED

103.9169 Asunción : Airgram

The Chargé in Paraguay (Reed) to the Secretary of State

ASUNCIÓN, July 19, 1944—8 a. m.
[Received July 29—2 p. m.]

A-265. For F.E.A. Reference Department's telegram No. 195 of June 22, 4 p. m.,[17] regarding decentralization rollback. The Paraguayan Country Agency has not yet made public announcement of the rollback but is rejecting local applications for import recommendations on all commodities not included in positive list with notice to applicant that import recommendation is no longer required. In view of limited number of firms in this country importing from the United States the Embassy anticipates that news will quickly reach all concerned. Most of the principal importers are already aware of situation through notice from Country Agency mentioned above, through information obtained on request from the Embassy, or through receipt of Export Bulletin 171.[18]

The Paraguayan authorities have been reluctant to see the decentralized export control diminish since through it they have been able to throw the responsibility for arbitrary distribution on us. There are in existence several decrees affording the Paraguayan Government

[16] Not printed; attached to this despatch is a copy of Decree-Law No. 5017 of February 10, 1941, which established the Departamento de Control de Cambios and conferred monopolistic powers upon it in matters of exchange (834.5151/150).

[17] Not printed; this telegram indicated that it was impractical to tie export license applications in the United States to Paraguay's import permits (103.9169 Asunción).

[18] Issued by the Requirements and Supply Branch, Bureau of Supplies, Foreign Economic Administration.

adequate legal basis for controlling itself the entry and distribution of imports but it hesitates to accept the political responsibility of denying permits to strong but undesirable firms. The Minister of Industry and Commerce even intimated that the Paraguayan Government would like to submit a list of firms it considers politically undesirable to F. E. A. for rejection of export license applications in Washington. He has been convinced that this would be impractical from an operational standpoint.

Our attitude in regard to relinquishing controls over commercial transactions looking toward a return to normal operations as soon as circumstances permit has been fully explained to the Country Agency and the Minister of Industry and Commerce and while their thinking is in the opposite direction, they will proceed with the decentralization rollback as promised. However, they did specifically request that F. E. A. forward airmail a list of licenses granted for exports to Paraguay each week for checking purposes here. In agreeing to transmit the request the Embassy pointed out the likelihood of this being impractical. F. E. A.'s answer would be appreciated.

REED.

740.34112A/8–344 : Airgram

The Acting Secretary of State to the Chargé in Paraguay (Reed)

WASHINGTON, August 3, 1944—4 p. m.

A–216. Reference Department's circular airgram of May 19, 1944 [19] and your airgram no. 222 of May 31, 1944. On the basis of the replies received to the above-mentioned circular, the Foreign Economic Administration has decided in the future to withhold approval of license applications on intelligence grounds only in cases where the consignee is included in the Proclaimed or Confidential List and to discontinue the policy of reference of names of unknown consignees to the missions with the request that a report be forwarded in each case on their political desirability as consignees. Most missions indicated that they were in favor of the proposed action and the difficulties inherent in following different procedures for each country precluded the possibility of accepting your recommendation that all applications for Paraguay involving unknown consignees be referred to you prior to licensing for checking on the basis of their political status and commercial activities.

The Department will, however, forward to the missions for their information and for a report if the circumstances warrant, periodic lists prepared by the Foreign Economic Administration containing the names and addresses of persons named as unknown consignees for merchandise shipped from this country, together with the amount

[19] Not printed.

and value of the commodities approved for export. It is hoped that this will meet the objections raised by you and will afford an opportunity for you to maintain substantial control of persons engaged in importation from this country.

STETTINIUS

740.34112A/8–2644

The Chargé in Paraguay (Reed) to the Secretary of State

No. 2390 ASUNCIÓN, August 26, 1944.
[Received September 2.]

SIR: I have the honor to refer to the Department's Secret Airgram 216 of August 3, 1944, 4 p. m., advising that the Foreign Economic Administration has decided that in the future it will withhold approval of license applications on intelligence grounds only in cases where the consignee is included in the Proclaimed or Confidential Lists, and will discontinue the policy of reference of names of unknown consignees to this mission with the request that a report be forwarded in each case on political desirability as consignee.

The same airgram also advises that the Department will forward periodic lists prepared by the Foreign Economic Administration containing the names and addresses of persons named as unknown consignees in Paraguay.

The Embassy realizes the impossibility of following different procedures for each country. It further realizes that the Department appreciates the ineffectiveness of the Proclaimed List in this country. It fears, therefore, particularly in view of the small volume of this total market, that there will be no way to prevent the arrival of merchandise ordered by cloaks for some of the principal firms of the Proclaimed List. The alternative suggested by the Department could only be effective if the periodic lists were complete and if they were received in sufficient time to allow the Embassy an opportunity to request cancellation of the shipments before they leave the United States, in those cases where cloaking operations are involved. . . .

Paraguay's economic dependence and geographical position with respect to the Argentine are such as to encourage cloaking operations between the two countries. Unless shipping documents are handled through local banks so as to ensure delivery in Paraguay of materials despatched here from the United States, there is no guarantee that they may not be retained in Argentina rather than be transshipped there. This is particularly true because most shipments from the United States are against payment and delivery of documents in the United States. Recognizing the distinct advantage of removing all controls as rapidly as possible, the Embassy still feels that to allow free shipment at this time to unknown consignees will result in a return to

the same situation which existed prior to the establishment of the rule which withheld export licenses pending the approval of the missions in the countries concerned. It is presumed that the entire question of the Proclaimed List has been discussed in detail with Ambassador Beaulac.[20]

Respectfully yours, LESLIE E. REED

103.9169/9–3044 : Airgram

The Ambassador in Paraguay (Beaulac) to the Secretary of State

ASUNCIÓN, September 30, 1944—8:45 a. m.
[Received October 5—5 p. m.]

A–318. For Crowley and Lebensburger,[21] FEA. Reference Department's circular airgram dated September 16, 1944, 12 p. m.[22] concerning simplification Import Recommendation Procedure. Both Embassy and Paraguayan Country Agency fully in accord with suggested procedure, which if followed according to the text of the proposal, would appear to eliminate considerable detail for all concerned, without detracting in any way from the essentiality and value of the Import Recommendation.

If and when the suggested procedure becomes effective, the Paraguayan Country Agency desires to reserve the right to continue sending one copy of the Import Recommendation to the Paraguayan Embassy at Washington, D.C. in order that that office may be kept fully informed regarding pending applications and thus be in a position to offer a prospective applicant or exporter such assistance as the Embassy there may be in a position to render, if called upon. Local Country Agency has also indicated its desire to continue use of present Import Recommendation forms, of which it has a substantial quantity on hand.

It is assumed that Import Recommendations will continue to be required only for commodities as designated on the Positive List.

BEAULAC

611.3431/11–344

The Secretary of State to the Ambassador in Paraguay (Beaulac)

[Extracts]

No. 16 WASHINGTON, November 3, 1944.

SIR: With a view to proceeding toward the conclusion of a trade agreement with Paraguay, you are requested to consider the matter

[20] Ambassador Willard L. Beaulac did not assume his duties in Paraguay until September.

[21] S. H. Lebensburger, Director, Requirements and Supply Branch, Bureau of Supplies, Foreign Economic Administration.

[22] Not printed.

of renewing discussions, which have been inactive for several months, with appropriate officers of the Paraguayan Government.

. . . . . .

The Embassy made special efforts on a number of occasions to obtain favorable action with respect to the general provisions, without success. The latest report from the Embassy on the subject, despatch no. 2133 of May 27, 1944 stated that the President and Foreign Minister had personally promised to arrange for favorable action on United States trade-agreement proposals as soon as the resignation of Dr. Espinosa became effective.

Unless you perceive serious objection, you are requested to renew trade-agreement conversations with appropriate Paraguayan officials and to endeavor to obtain agreement with respect to the general provisions and related notes on the bases outlined in the instructions mentioned above. Although these discussions may be undertaken in your discretion as to time and circumstances, the Department hopes that they may be begun soon and followed persistently until agreement is reached. You are requested to keep the Department currently informed regarding developments relating to your discussions of the general provisions.

. . . . . .

Very truly yours, For the Secretary of State:
DEAN ACHESON

740.34112A/8–2644

The Secretary of State to the Ambassador in Paraguay (Beaulac)

No. 43 WASHINGTON, November 22, 1944.

The Secretary of State refers to despatch no. 2390 of August 26, 1944 with regard to consignee control for Paraguay. The Department and the appropriate officials of the Foreign Economic Administration have given consideration to the specific problems in Paraguay involved in the approval of license applications in the name of unknown consignees and recognize the difficulty faced by the Embassy in this connection. However, in view of the present shipping and supply situation it is not deemed practicable to revise the procedure presently in effect. This Government has taken the position that as goods become in free supply in this country and shipping space is available for transportation to other countries in this hemisphere export controls with regard to this merchandise should be relaxed in so far as this can be accomplished without undue relaxation of restrictions on pro-Axis firms and individuals. As a result of this policy many types of merchandise have been placed under general

license and it was recently decided, effective November 1, to eliminate Form 138 (Statement of Cargo Availability) for all of South America, except Argentina. This step was taken some time ago in so far as Central America and the Caribbean countries are concerned. There is therefore no present check on shipments of merchandise under general license unless the consignee is included in the Proclaimed List in which case the shipment would be stopped by the customs officers.

With regard to the statement that Paraguay's economic dependence and geographic position with regard to the Argentine are such as to encourage cloaking operations between the two countries, the Embassy is informed that the Department and the Foreign Economic Administration are giving consideration to means of assuring that merchandise ordered by firms in the other American republics is not transshipped or diverted to Argentina. The Department's circular telegram of September 15, 1944 [23] is pertinent in this connection and the possibility of taking further action in this regard is currently under discussion.

As of interest to the Embassy there is enclosed a copy of a memorandum [24] on consignee control which reviews recent developments in this field.

834.796/11–2444

The Ambassador in Paraguay (Beaulac) to the Secretary of State

No. 276 ASUNCIÓN, November 24, 1944.
[Received December 2.]

SIR: I have the honor to refer to Embassy's confidential despatch No. 184 of October 28, 1944.[24] As a result of conversations between Mr. George M. Rihl, Vice President of Pan American Airways, Inc., and Mr. Kennedy, a lawyer for that company, and Major Pablo Stagni, Director of the Paraguayan Airforce as well as of Paraguayan Civil Aviation, tentative bases have been agreed upon in principal, which, if acceptable to the home office of Pan American, should result in that entity's entering Paraguay on an operative basis. These bases are, as yet, strictly confidential and may well undergo substantial change before being finally adopted.

Present plans call for the formation of a new operating company in Paraguay. 51% of the stock of this new operating company would be owned by the local airline of the Paraguayan Government, known as Linea Aerea de Transporte Nacional (LATN). The remaining 49% will be owned by Pan American Airways, Inc. This new com-

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[23] *Ante*, p. 350.
[24] Not printed.

pany will take over the operations now carried on by LATN. Basically, therefore, the plan meets the aims previously expressed by Major Stagni. (See Embassy's confidential despatch No. 12, September 7, 1944 [27]).

Inasmuch as the equipment now owned by LATN, which is that transferred from the Airforce to it at the time the line was formed, is of relatively no commercial value, Pan American could not consider it as part of the contribution of LATN. Consequently, Pan American is loaning LATN the capital needed to complete its share of the new company to be formed.

This produces the most difficult and unsatisfactory part of the proposed agreement. Namely, that the new company to be formed will contract with the Linea Aerea de Transporte Nacional for the latter entity to furnish to the new company technicians, ground crews, pilots, and other personnel. This plan amounts to a labor contract between the new entity and LATN, rather than individual contracts between the new entity and individual personnel. As the salary scale paid by any commercial airline such as Pan American is many times those paid by any country like Paraguay to personnel of the armed forces, the prospect of numerous difficult problems is apparent. Presumably, the LATN will contract at relatively standard commercial salary schedules, but pay the actual pilots, technicians and others assigned to the company on a scale much below that, employing the difference for the liquidation of its debt to Pan American incurred for the purpose of obtaining capital to contribute to its share of the new company.

Details of the proposed agreement will follow, provided the bases are acceptable to the home office of Pan American, who will then send technicians and other service personnel to Paraguay, who, initially, will continue present operations of LATN. The first new activity will probably be a complete survey as to commercial prospects on the lines now in operation, other possible extensions, types of planes needed for early development stages, etc. As soon as the necessary equipment is available, recommendations resulting from the study would be placed in effect.

It is the Embassy's recommendation that any favorable action on Paraguay's request for six Beechcraft airplanes under Lend-Lease, reported in Embassy's restricted despatch No. 238, November 11, 1944,[27] be delayed, pending the findings of this study.

Respectfully yours, WILLARD L. BEAULAC

[27] Not printed.

611.3431/12–1844

The Ambassador in Paraguay (Beaulac) to the Secretary of State

No. 361 ASUNCIÓN, December 18, 1944.
[Received December 29.]

SIR: I have the honor to refer to the Department's confidential instruction No. 49, November 27, 1944,[28] forwarding a revised Schedule I and authorizing the Embassy to transmit it to the Paraguayan Government, or to withhold transmission pending the arrival of a revised Schedule II. In the same instruction the question of tariff classification of Paraguayan *caña* was again reviewed.

Since the Embassy's restricted despatch No. 314 of December 2, 1944,[28] informal discussions have taken place with the Foreign Office, and at its request the Embassy has suggested officially to the Foreign Office that negotiations be renewed. A copy of the Embassy's Note in that regard is attached to this despatch.[28] While the holidays will undoubtedly cause some delay, the Foreign Office has promised to expedite the negotiations and has expressed the hope that they may continue without interruption until the agreement is successfully concluded.

Respectfully yours, WILLARD L. BEAULAC

POSITION OF THE DEPARTMENT OF STATE WITH RESPECT TO THE DEVELOPMENT OF PARAGUAYAN PETROLEUM RESOURCES BY PRIVATE COMPANIES[29]

834.6363/144b : Airgram

The Secretary of State to the Chargé in Paraguay (Montgomery)

WASHINGTON July 10, 1943—6 p. m.

A–281. The Department has been reviewing with Ambassador Frost certain phases of the petroleum situation in Paraguay. The Department is obliged to state that it would not be possible for any agency of this Government to undertake the geological exploration of Paraguay on the scale which would actually be necessary to determine the possibility of finding oil.

Moreover, even though such an undertaking were to be arranged and oil should be found in certain localities, the problem would still remain as to how the difficult and costly work of development would be undertaken and efficient operations established on a self-paying and profitable basis. Experience over many years and in many countries has shown that even under the most favorable conditions, such projects require skill and resources beyond those currently available

[28] Not printed.

[29] For correspondence on the prevention of the diversion of Paraguayan petroleum to Axis markets, see *Foreign Relations*, 1943, vol. VI, pp. 697 ff.

in Paraguay. (For example, after the discovery of oil was originally established in the central Magdalena Valley in Colombia, the first barrel of oil was delivered onto a tanker at the Port of Cartagena only after expenditure of 50 million dollars.)

The Department can understand a reluctance on the part of the Paraguayan Government to enter into agreements with private companies on terms which might result in losing a share of the national wealth if oil were to be discovered. However, as was previously explained to Dr. Gross Brown, it may be possible for the Department to assist the Paraguayan Government in contacting a group of oil companies to explore, develop and refine oil on a basis which insures to the nation an equitable return.

HULL

834.6363/199

The Ambassador in Paraguay (Frost) to the Secretary of State

No. 1797 ASUNCIÓN, February 5, 1944.
[Received February 15.]

SIR: I have the honor to refer to my despatch No. 1624 of December 9, 1943 [31] reporting that Mr. A. C. Rubel, Vice President of the Union Oil Company of California was expected to visit Paraguay in mid-January in order to reach an agreement with the Paraguayan Government respecting petroleum exploration and exploitation in the Paraguayan Chaco.

Mr. Rubel arrived at Asunción on January 26, and immediately called to establish contact with the Embassy, accompanied by Mr. Chester Cassel, who as previously reported has remained in Paraguay since the departure of Messrs. E. B. Noble and Max Krueger.[32] Mr. Rubel informed me that he had discussed his plans thoroughly with the Department prior to departing from the United States.

In accordance with my understanding of the Department's desires I did not arrange Mr. Rubel's contacts with the Paraguayan officials; but he secured an early interview with the Paraguayan Minister of Public Works, Captain Ramón Martino. Through the latter he subsequently also conversed with Finance Minister Rogelio Espinoza, who had held conversations with him and with Mr. Butler Sherwell, Vice President of the Manufacturers' Trust Company in New York City last June. Mr. Rubel then proceeded in a privately chartered plane to Fort Camacho, the Paraguayan military headquarters in the Chaco, where he was cordially received and entertained by Colonel Andino and the officers of the Chaco garrison. As Messrs. Noble and Krueger had previously done, he made an excellent impression, and

[31] Not printed.
[32] Geologists of the Union Oil Company.

can probably count on the support of the very important and influential Chaco army units. Today he is proceeding by plane to Puerto Casado, on the Paraguay River, 460 kilometers north of Asunción, whence a narrow gauge railway runs westward 160 kilometers into the Chaco toward Camacho. Supplies, equipment and transportation in general to an exploration base at Camacho would enter via Puerto Casado and the railway owned by the Casado interests.

Mr. Rubel has thus established the fact in the minds of the Paraguayan officials that he is ready to give prompt action, and has awakened the active personal interest of the Paraguayan Army and the transportation companies on the Paraguay River and the Casado properties. He has further informed the Minister of Public Works that he has despatched seismographic apparatus and crew from Peru via the Straits of Magellan to Buenos Aires, where it will be arriving within two or three weeks. (He tells me that the second seismographic apparatus which Mr. Noble spoke of despatching from the United States could not possibly be secured in less than six to eight months.)

Mr. Rubel's proposal to the Paraguayan Government is for exclusive exploring rights in the entire Chaco for two years, at the end of which time he would release any 20% of the area which he selects. At the end of another two years he would release another 20%, and so on up to a total of ten years; before which time the Union Oil Company would have selected those areas which it would desire permanently to exploit, if any. When exploitation begins, 10% of the gross profits will be retained by the Company each year to amortize its exploration and prefatory drilling expenditure. The net profits would then be divided 35% to the Paraguayan Government and 65% to the Union Oil Company.

I asked Mr. Rubel if this percentage basis were not a novelty in Latin American petroleum concession contracts and he answered in the affirmative. He stated that he wished to have the Paraguayan Government continuously interested in the amount of profits made by the Company, so that it would assist the Company in regulating labor troubles, transportation difficulties, etc. He stated that his company would need to expend about $1,250,000 during the next eighteen months or two years in its projected explorations on a line straight westward from Camacho to the Bolivian border, and that it is not prepared to make this outlay unless it has a definite agreement with the Paraguayan Government for eventual permanent exploitation. The details of this agreement can be left until later but some commitment incorporating the conditions indicated above must be a condition precedent.

I have had two opportunities to discuss the matter privately and informally with the Minister of Hacienda, Dr. Espinoza, and found to

my astonishment that the Department's airgram of July 10 offering to place the Paraguayan Government in contact with a consortium, which offer was transmitted by this Embassy in a formal note to the Foreign Office on July 24, had never been communicated to the Ministry of Finance. It seems probable that the Paraguayan Government has not given it serious consideration, but will now do so. The Minister of Finance volunteered the opinion that the reconnaissance work thus far done by the Union Oil Company does not entitle it to expect a definite agreement.

I should be glad to know whether the Department's offer to place the Paraguayan Government in contact with a consortium still stands.

Respectfully yours, WESLEY FROST

834.6363/200 : Telegram

The Ambassador in Paraguay (Frost) to the Secretary of State

ASUNCIÓN, February 17, 1944—10 a. m.
[Received 8 : 30 p. m.]

100. Union Oil representatives Sherwell and Rubel are apparently making smooth progress toward definitive preliminary agreement along the lines of memorandum submitted to Department. Sherwell has visited not only President [34] and all leading Cabinet Ministers but also Archbishop, President of Bank of Republic and chairman of local Inter-American Development Commission. They are stressing that seismograph apparatus from Peru will reach Buenos Aires within fortnight and that crew of 12 technicians is ready to proceed from United States. They stress their ability to go into immediate activity. Summary memorandum handed to President ends with statement contract or contracts to be concluded must merit the approbation of Department of State. It twice mentions that it can supply all needed machinery depending on attitude of American Government. They have asked President to recommend local legal talent to advise them and have requested that dynamite en route from Peru be placed in charge of Paraguayan army.

I have strongly hinted on three occasions to Foreign Minister [35] that Department has felt a consortium to be safer for Paraguay than a single company. I have also mentioned this in three informal conversations with Finance Minister during past month and adverted to Department's offer to place Paraguay in touch with an American consortium. I have even indicated the advisability of caution in making commitments. The consortium suggestion meets no response. The necessity for caution is recognized but both Ministers repeat that their inquiries indicate Union Oil to enjoy general respect as honor-

[34] Higinio Morínigo.
[35] Luís A. Argaña.

able. They have been flattered by attentions shown them in the United States as well as by deference and affability of Sherwell and Rubel. All the representatives of Union Oil who have thus far appeared have been men of excellent personality and private character. On the other hand, no other American company has sent representatives here since early last autumn and Metzger [36] visit then does not seem to have marked any forward step in his negotiations. It is possible that other American petroleum companies which are believed to be aware of Union Oil negotiations may have decided not to persist in attempts here. I have had no communications with them in recent months.

Sherwell states the Finance Minister has indicated that an agreement will be reached with Union Oil and my impression is to the same effect. I should be glad to receive further instructions particularly as to whether proposals covered by letter of January 11 from Hubert C. Ferry to W. H. Geiss [37] and submitted by latter to Department should be made subject of comment here by Embassy.

Rubel and Union Oil have informed Government that one or both of them must leave here February 20 so that decision is necessary. They ask "formal manifestation of definitive understanding" on broad outlines as formulated leaving details to be worked out by attorneys sent later from the United States. As indicated, it seems probable they will reach some arrangement unless something intervenes as their approach has been more adroit and assiduous than that of other firms. They have no apparent competitors now showing.

FROST

834.6363/200 : Telegram

The Acting Secretary of State to the Ambassador in Paraguay (Frost)

WASHINGTON, February 21, 1944—7 p. m.

50. The Department has carefully considered your Telegram No. 100, February 17, 10 a. m., concerning the activities of the Union Oil Company. Careful study has also been given to the proposal submitted by the Union Oil Company in the January 11 letter from Hubert C. Ferry to W. H. Geiss.

The course of action which Paraguay will take in this matter is obviously one for the determination of the Paraguayan Government. The Department does not object to the negotiation of a suitable contract with the Union Oil Company. The Union Oil Company proposal, however, contains strong monopolistic provisions, and the Paraguayan Government should appreciate that the proposal closes the door to entrance into Paraguay by other interests. You should bring these considerations to the attention of the appropriate authorities,

[36] H. A. Metzger, representative of the Standard Oil Company of New Jersey.
[37] Officials of the Union Oil Company; letter not found in Department files.

expressing the sincere hope that the contract will not be monopolistic. The proposal as now drafted (and the draft legislation which Union Oil suggests) would seem to tie up for many years substantially all prospective oil land.

It has been observed from your telegram that the Union Oil Company states it can supply all needed machinery "depending on attitude of American Government". This Government does not wish even by implication to be made a party to any contract or proposal. It does, however, wish to make clear that oil field equipment and machinery is still in very short supply and that the fact that this Government does not offer objection to a suitable Union Oil Company proposal carries with it no warranty that the needed equipment will be available at an early date. Applications for the necessary priorities and export licenses will, of course, have to be passed on by the appropriate agencies of this Government and will have to be weighed to determine the availability of equipment and the relative benefit which would accrue to the war effort from the equipment's use for the purposes contemplated. It is to be borne in mind in this connection that it has been the general policy of this Government to make available oil field equipment only for exploration, which is likely in the very near future to develop important supplies of petroleum which can be utilized readily in the prosecution of the war.

The Department has given you the foregoing background in order that there may be no misunderstanding of this Government's position on the part of the Paraguayan Government. It is to be reiterated that the decision is one which will have to be taken by the Paraguayan authorities, and that, although the monopolistic aspects of the present Union proposal are considered most undesirable, the Department in the last analysis would not be justified in attempting to block the contract, although it would lament the contract's negotiation with the monopolistic provisions. This latter is, of course, for your strictly confidential background information.

STETTINIUS

834.6363/202 : Telegram

The Ambassador in Paraguay (Frost) to the Secretary of State

ASUNCIÓN, February 21, 1944—6 p. m.
[Received February 22—4 : 03 a. m.]

111. Reference Embassy's number 100, February 17, 10 a. m. Union Oil representatives were handed Saturday morning, Paraguayan counter proposal providing three exploration rights entire Chaco against payment of approximately $100,000 first year $200,000 second year and $400,000 third. This to give rights to take out as many area licenses as desired under the present law which provides for the

boring of one well in each area within 2 years after each license, life of license being 4 years.

As to exploitation areas thus chosen Paraguayans suggest 30 year contract for mixed exploitation, corporation gross profits to be divided 50% Union Oil and 50% Paraguayan Government from which Government [apparent omission] return 60% towards payment expenses exploration and amortizement installation. In fact scheme works out at net 20% for Paraguayan Government.

Company representatives regard proposal as showing fear lest present Government should be later criticized for having alienated national resources on insufficiently profitable terms plus desire to start bargaining on maximum terms. They conferred informally Saturday evening with President of Bank of Republic Pedretti who has been prominent in negotiations and had extensive interview at 6 a. m. Sunday with Minister of Public Works before taking plane for United States at 9 Sunday morning. They are considering inviting Minister of Public Works, President of Bank of Republic, and Engineer Gaguier [38] to proceed to Los Angeles at Union Oil expense to continue negotiations. Meanwhile they are stating that seismograph exploration apparatus due Buenos Aires early March will be at once shipped elsewhere. I have suggested that Paraguay's counter proposal be furnished to the Department and to the Embassy. Company representatives remaining here have no copy but will telegraph to Rubel and Sherwell en route. Representatives now remaining here plan to leave in near future.

FROST

834.6363/209

The Ambassador in Paraguay (Frost) to the Secretary of State

No. 1913 ASUNCIÓN, March 21, 1944.
[Received March 29.]

SIR: I have the honor to inform the Department that Mr. H. A. Metzger, a representative of the Standard Oil Company of New Jersey, has recently visited Paraguay and has made formal application of the Government for permission to send into this country a geologic exploration party. Mr. Metzger's request has been based upon the fact that the exclusive exploration rights given by the Paraguayan Government to the Union Oil Company have now expired. In this connection, I wish to refer the Department to the Embassy's various telegrams regarding the activities of the representatives of the Union Oil Company of California in Paraguay and to my two despatches Nos. 1523 of November 12, 1943, and 1624 of December 9, 1943.[39]

[38] Presumably Fernando Saguier Caballero, technical consultant of the Minister of Public Works.

[39] Neither printed.

It would appear very likely that Mr. Metzger who visited Paraguay several times during 1943, in the interests of his company, learned in Buenos Aires that the exclusive exploration rights granted the Union Oil Company have now expired without this Government and the subject American company having come to any definite exploitation agreement. Prior to his departure from Buenos Aires, Mr. Metzger prepared a memorandum, a translation of which is attached to this despatch as enclosure No. 1.[41] It is understood that this memorandum was forwarded by the Paraguayan Consul General in Buenos Aires to President Morínigo in anticipation of Mr. Metzger's arrival in Asunción on March 9th. It was possible for Mr. Metzger to visit the President on March 15th, at which time the memorandum was discussed and reportedly the President indicated to Mr. Metzger his interest and suggested that Metzger present a formal application to the Minister of Public Works. A formal letter of application was, accordingly, prepared and delivered personally by Mr. Metzger to the Minister of Public Works on March 17th. A translation of this letter of application is attached to this despatch as enclosure No. 2.[41] The letter was signed by Mr. William Kaser, the manager of the Asunción branch of the West India Oil Company, purely as a matter of convenience and in anticipation of Mr. Metzger's departure before a formal acknowledgment and reply could be expected. At the suggestion of the Minister of Public Works, Mr. Metzger also visited the Minister of Finance on March 18th, verbally reviewing his conversations with the President and with the Minister of Public Works.

In conversations with a representative of this Mission, Mr. Metzger explained that his company, the Standard Oil Company of New Jersey, has no desire whatsoever of infringing upon any prior claim or right which the Union Oil Company may have in this country. He has reportedly stated to President Morínigo and the Ministers of Public Works and Finance that his company believes it to be to the advantage of this country to not grant exclusive exploration rights to one organization but rather negotiate with and possibly conclude exploitation contracts for definite areas with different organizations. This position as held by Mr. Metzger as a representative of the Standard Oil Company of New Jersey would seem to be in strict keeping with the policy established by the Department.

Mr. Metzger has stated that his conversations with the Minister of Public Works were highly satisfactory and it is expected that a reply to the application for exploration permission will be forwarded to the Asunción office of the West India Oil Company late this week, probably on Thursday, March 23rd. Mr. Metzger will by that time

[41] Not printed.

have returned to Buenos Aires but if the reply is satisfactory he expects to send at least one geologist from the Buenos Aires headquarters of his company to Paraguay and presumably he will suggest that several other qualified geologists be sent immediately from the United States.

I have gained the impression that at least for the time being the negotiations between the Paraguayan Government and the Union Oil Company have reached a stalemate. Mr. Chester Cassel is still in Asunción representing the Union Oil Company, but there is some possibility that he may return to the United States in the near future, particularly in view of the fact that while the Paraguayan Government accepted, in principle, Mr. Rubel's invitation that three Paraguayans visit Los Angeles, this invitation is now said to have been refused by two of the intended guests, the Minister of Public Works and Dr. Carlos Pedretti, the President of the Bank of the Republic. It would appear likely, therefore, that the Standard Oil Company of New Jersey may be permitted to send an exploration party into Paraguay under the conditions described in the letter of application dated March 17th (enclosure No. 2). Of particular interest has been the statement of Mr. Metzger that if the Paraguayan Government feels that it has a prior commitment with the Union Oil Company in so far as the Chaco territory is concerned, this will not prejudice the proposal for the new exploration party. Mr. Metzger indicated that from his casual knowledge of the country superficial signs are more encouraging in the areas east of the Paraguay river and he stated that his company would be willing to confine its work to the east of the river sections and would be perfectly willing to leave the entire Chaco to the Union Oil Company.

I shall not fail to let the Department know as developments occur, particularly in view of the fact that this application on the part of the Standard Oil Company of New Jersey would appear to bear promise of the realization of the policy which the Department has established as regards petroleum exploration work.

Respectfully yours, WESLEY FROST

834.6363/213

The Ambassador in Paraguay (Frost) to the Secretary of State

No. 1980 ASUNCIÓN, April 11, 1944.
[Received April 20.]

SIR: I have the honor to refer to despatch No. 1923 of March 25, 1944 [42] reporting that Mr. Glenn Ruby [43] had been engaged by the

[42] Not printed.
[43] Vice President of the United Geophysical Company.

Paraguayan Government to advise it respecting its negotiations with the Union Oil Company of California.

Mr. Ruby left Asunción this morning for Buenos Aires en route to Santiago, Chile, and Magallanes,—at which latter point he is heading an exploration party for the Chilean Government.

Shortly after reaching Asunción Mr. Ruby informed me that he had read that a fund of five million dollars had been provided by Congress for Petroleum Administrator Ickes [44] to be used in exploring for new oil fields in foreign countries from which the United States might eventually draw supplies. He suggested that this Embassy make inquiries as to the availability of these funds for exploration in Paraguay. At my suggestion the inquiry was made through the Paraguayan authorities, and the reply received was adverse.

Mr. Ruby informed me confidentially last week that the Paraguayan Government was bent upon imposing conditions which would tend to preclude the Union Oil Company from proceeding with its plans for exploration and development here. He indicated that the Paraguayan proposals sought to secure minor fees and payments in connection with each of the various initial steps in their undertakings; while he was himself advising that they negotiate a simple contract based on royalties or a participation in profits. Later he informed me that he found the Paraguayans hardly disposed to a reasonable approach to their problem, although he had avoided any discussion with them. He finally prepared a full memorandum of suggestions, which he left with the Ministers of Public Works and Finance. He told me that it was his view that on the whole Paraguay had little reason for standing off the Union Oil Company unduly as the Company is sound and efficient and can do for Paraguay as much as any such company would be likely to do. He preferred, however, in view of the distrust and anxiety for immediate gain shown by the Paraguayans, to disassociate himself quietly from the negotiations after furnishing conservative and adequate advice.

A brief informal chat with the Minister of Finance gave me the feeling that Paraguay will adapt her demands to the realities of the situation, and that negotiations with the Union Oil Company may probably proceed gradually to a successful conclusion.

Respectfully yours, WESLEY FROST

[44] Harold L. Ickes, Petroleum Administrator and Secretary of the Interior.

834.6363/224

Memorandum of Conversation, by Mr. Rex Townsend of the Petroleum Division

[WASHINGTON,] May 17, 1944.

Participants: A. C. Rubel
W. H. Geiss
J. A. Loftus [45]
Rex Townsend

Mr. Rubel reviewed briefly the progress that the Union Oil Company have been making in their negotiations for a petroleum concession with the Paraguayan Government. He stated that Dr. Perez Uribe [46] and Mr. Ferrari [47] (who is the brother-in-law of President Morínigo) are now in New York and will leave for Los Angeles by plane on May 19 to confer with the lawyers of the Union Oil Company regarding the contract which they have drawn up for signature with the Paraguayan Government.

Mr. Rubel stated that he would send the Department through Mr. Geiss a copy of this contract and assured us that it did not contain any monopolistic feature. They are not negotiating for a blanket concession on the whole country, but, for a large portion of the Chaco comprising approximately 23,000,000 hectares. Rubel stated that this contract will contain some rather stiff drilling clauses and that although the exploration period covers 10 years that he fully expected that they would release at least half of the above mentioned area back to the Government within three years. It is quite evident from this conference with Mr. Rubel that the Union Oil Company is most anxious to cooperate fully with the Department in connection with their negotiations in Paraguay, and particularly as they expressed the fear of possible interference or obstruction of some kind at a later date by the Argentine Government. I asked Mr. Rubel if he had received any definite indication of such interference on the part of the Argentine to date. He replied that there was nothing concrete yet, it was merely in the form of an indirect suggestion or rumor. However, he stated that he will keep us informed in the event that anything came up in this respect. He stated that the geophysical equipment and instruments were already on the ground in Paraguay and that they would be ready to send the crews down in the near future.

Mr. Rubel asked the Department for assistance in securing priorities for Uribe, Ferrari and Mr. George Sherwell to leave New York by plane on Friday, May 19. He added that it was most important for

[45] Official of the Union Oil Company.

[46] Oscar Perez Uribe, member of the Paraguayan Council of State and president of the Paraguayan Committee of the Inter-American Development Commission.

[47] Presumably Mario Ferrario, Under Secretary of State for Foreign Relations.

Mr. Sherwell to accompany the Paraguayans as neither of them spoke a word of English and Sherwell would have to act as interpreter in the negotiations.

834.6363/10–1444

The Ambassador in Paraguay (Beaulac) to the Secretary of State

[Extracts]

No. 125 ASUNCIÓN, October 14, 1944.
[Received October 25.]

SIR: I have the honor to refer to this Embassy's confidential despatch No. 103 dated October 7, 1944,[48] transmitting official copies of documents covering the concession granted by the Paraguayan Government to Union Oil Company of California for transmittal to Mr. Don Cameron, Union Oil Company of California, 1111 Municipal Building, Washington, D. C.

Enclosed is attached an official copy of the convention[49] which establishes the basis of the future contract to be signed between the company and the Paraguayan Government. . . .

. . . . . .

It was the understanding of the Embassy in its discussions with Mr. Rubel that only the decree would be published. It is possible that the Embassy misunderstood this particular point, but it also may be that the government has decided to publish the convention in order to eliminate the possibility of any local criticism.

As far as can be ascertained the reaction to the granting of this concession has been universally good, although there is always the possibility that the opposition will, as a matter of course, criticise this action of the present government.

Respectfully yours, WILLARD L. BEAULAC

834.6363/10–1744

Memorandum of Conversation, by Mr. Rex Townsend of the Petroleum Division

[WASHINGTON,] October 17, 1944.

Mr. Rubel, Vice President of the Union Oil Company telephoned me on Tuesday, October 17, 1944 from Los Angeles, stating that he had returned from Asunción on October 14th and that in their opinion, they had made a satisfactory deal for a concession with the Para-

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[48] Not printed.

[49] Not printed here. Decree-Law 5449 which granted the concession, and the convention between the Minister of Public Works and Communications and the Union Oil Company were published at Asunción in *El Paraguayo* on October 11 and 12, 1944, respectively.

guayan Government. He met Leslie Webb [50] when he was down there and gave him all the information.

Mr. Rubel stated that the Embassy was sending the original copies of the papers for transmittal. He said that he was having copies made both in the Spanish and English text to transmit to the Department.

Mr. Rubel further stated that he had received splendid assistance from the American Embassy at Asunción which contributed to the successful conclusion of the negotiations. He stated further that he thought they made a pretty good deal, having a 10-year exploration period with an additional eight years for further investigation, and a total of 35 years of exploitation. There is a sliding scale of royalties beginning with 12% and increasing from that amount based on volume of production. The importation of equipment will be entirely tax free.

Mr. Rubel stated that there are still a number of legal details to be cleared up, particularly the question as to whether the operation is to be carried on in the name of the Union Oil Company or in the name of a domiciled Paraguayan Company.

The closing of the deal was confirmed by Presidential decree and subsequently ratified by the Conselho with the President's signature which in Mr. Rubel's opinion has the same effect as law.

He stated that he would be in Washington next week and would come in to tell us about the situation.

CONCERN OF THE UNITED STATES IN THE ELIMINATION OF AXIS INTERESTS IN PARAGUAY

740.34112A/42

The Ambassador in Paraguay (Frost) to the Secretary of State

No. 1785 ASUNCIÓN, February 3, 1944.
[Received February 15.]

SIR: I have the honor to refer to previous despatches regarding the position of the Paraguayan Government as regards the recognition of the Proclaimed List, and to make particular reference to the Embassy's Confidential Despatch No. 1726 of January 13, 1944,[51] in which it was noted that this subject had again been explored with the new Minister of Industry and Commerce, Dr. Juan Felix Morales. In Despatch No. 1726 it was reported that the Minister had promised that his Ministry, as well as the Department of Distribution, which is responsible for the issuance of buying orders for materials under ration

[50] Petroleum expert of the Petroleum Division. He had conducted surveys and made studies of the problems of the Petroleum Pool.

[51] Not printed; it indicated that gasoline ration coupons were issued and United States gasoline sold to Proclaimed List firms (740.34112A/34).

control, would not grant such buying orders to firms or individuals on the Proclaimed List when the commodities involved included petroleum products or other material received from the United States, or tires and tubes imported from Brazil.

Since the verbal conversation with the Minister of Industry and Commerce there has been abundant informal evidence that his undertaking has been put into force and that efforts are being made to prevent the issuance of buying orders to firms and individuals on the Proclaimed List when the material involved has originated in the United States or represents stocks which are under the control of American agencies in the foreign field. Apart from the Government's verbal undertaking, the Embassy has informed the more important local exporters that they themselves must assume some responsibility for the distribution of their imports, and, on the whole, cooperation has been very helpful. As a case in point, on January 17th the Department of Distribution issued a purchase order drawn on the West India Oil Company for an amount of 600 liters of kerosene in favor of the so-called Price Control Commission of Ybytymi. On the surface this order would appear to have been perfectly in keeping with the restrictive understanding regarding petroleum products. However, as the Department probably knows, the area of Ybytymi is the section where the Japanese colony, La Colmena, is located. Furthermore, the purchase order was actually delivered to Mr. Kishi, the representative of the La Colmena Company in Asunción.

The Japanese colony in Paraguay was not recommended for the Proclaimed List by the Embassy but was rather intervened by the Paraguayan Government as a result of prolonged negotiations between the Embassy and the competent Paraguayan authorities. The importance of the colony to the country's economy is such that it was not believed practical to list the colony in an attempt to prevent any imported materials reaching that organization. The plan set up presumed that the colony would be intervened and that the Government's Agriculture Bank would assume the responsibility for all control measures over the colony including its finances as well as the purchase of its produce and the provision of any materials required by the colony.

Upon the discovery of the issuance of the buying order for kerosene referred to previously, this matter was discussed with the Department of Distribution of the Ministry of Industry and Commerce as well as the Administrator of the Agricultural Bank of Paraguay. The Embassy took the position that while it did not desire to deny completely the delivery of kerosene to the colony it was felt that the kerosene should be delivered to the branch of the Agricultural Bank in that area and that its distribution and control should be in the hands of

that institution. This proposal was agreed to and is now in the course of being arranged.

Due to the rather dominant position occupied by the Agriculture Bank throughout the country, not only as one of the few sources of farm credits, but also as the sales channel of much agricultural equipment and the maintenance agency of the Government's guaranteed price program, the question of the recognition of the Proclaimed List has at various times been discussed at length with the bank's administrator, Mr. Francisco Ferrario, whom the Department may recall was in the United States during the latter part of the year 1942, as a guest of the Coordinator's Office.[52] Mr. Ferrario, since he assumed charge of the Agricultural Bank, has been most cooperative and the Embassy has always felt confident that he was doing everything within his power and influence to comply with this mission's requests. Probably one of the most heartening and encouraging developments along this line occurred on February 1 while a representative of the Embassy called at Mr. Ferrario's office on a routine matter. At that time Mr. Ferrario delivered a signed and sealed copy of a circular letter written by the Agriculture Bank of Paraguay on January 26, 1944, to all of its branches and correspondents throughout the country. In this circular communication, which is identified as No. 3/14, it was stated that "for your information and knowledge we wish to inform you that all departments of this institution must absolutely abstain from making purchases from commercial firms included in the 'Black List' or to have with these firms commercial dealings of any type".

While this letter from the Agricultural Bank does not necessarily presume official recognition of the Proclaimed List, it is believed significant that the bank, which is a Government operated institution, has gone as far as it has. While there are practically no firms or individuals on the Proclaimed List who are located in the rural areas of the country, it is thought that this announcement may have a discouraging effect upon those parties who have previously dealt with the well-known organization of Staudt & Company (PL) which previously was an important exporter of hides and skins, petit-grain oil and similar products. Furthermore, this instruction should obviate the possibility of Proclaimed List firms or individuals obtaining any part of the cement manufactured in Uruguay for the requirements of the economy of this country, regardless of how essential the utilization may be. This cement is periodically delivered to the Agriculture Bank in Asunción which completely controls its distribution and sale. Purchases of this cement are made on the basis of buying orders by the Department of Distribution, and while through either error or carelessness, buying orders may be issued from time to

[52] Office of the Coordinator of Inter-American Affairs.

time to Listed firms by that Department, it would appear very probable that the sales' staff of the Agricultural Bank will note this mistake before actual delivery has been made.

In line with the circular letter of the Agricultural Bank, the Embassy plans to make available for distribution to the bank's branches and correspondents, copies of the Proclaimed List. If this distribution of the list is successful it will certainly be a major step forward and will undoubtedly make the rural areas of the country increasingly aware of the List and its significance.

Respectfully yours, WESLEY FROST

740.34112 RP/6 : Telegram

The Ambassador in Paraguay (Frost) to the Secretary of State

ASUNCIÓN, February 16, 1944—6 p. m.
[Received 11 : 18 p. m.]

98. Conversations with Paraguayan officials regarding forced sale or intervention of local firms on the Proclaimed List have recently progressed favorably and it apparently may be possible to arrange for the creation of a Paraguayan authority which will supervise the sale and transfer of the more important German interests to acceptable Paraguayan firms or individuals. The problem of finance appears to be most conspicuous and inquiry has been made of me by Finance and Foreign Affairs Ministers [53] as to possibility of Paraguayan Government securing such aid from the American Government. Department's circular instruction December 17, 1942 [54] regarding the forced sale and intervention of Proclaimed List business enterprises indicates that under proper circumstances such funds might be available from Export-Import Bank.

Possibility seems to exist of encouraging forced sale of such firms as German bank, Staudt, Krauch, Ferreterías Universal and Alemana, Tubos, Mannes, Mann and Wiske, the leading German firms in Asunción. Total assets probably do not exceed $1,500,000. However, before continuing these conversations Paraguayan Ministers wish to confirm whether in principle if forced sale of these firms to Paraguayans is provided by decree law the funds required might be made available by the Export-Import Bank to finance such transfers through whatever government organization may be set up by Paraguay to supervise such transactions.

FROST

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[53] Rogelio Espinoza and Luís A. Argaña, respectively.
[54] Not printed.

740.34112 RP/8

The Ambassador in Paraguay (Frost) to the Secretary of State

[Extracts]

No. 1836 ASUNCIÓN, February 21, 1944.
[Received February 29.]

SIR: I have the honor to inform the Department that developments which have taken place during the last few weeks both here and in Buenos Aires have seriously complicated the situation of the Asunción branch of the Banco Germánico to the extent that all accounts belonging to Axis interests have now been blocked and it appears very likely that the bank itself will be liquidated as the responsible Paraguayan Government officials now readily admit that the bank is completely and hopelessly insolvent. . . .

. . . . . .

At the present time it appears to be a foregone conclusion that the Paraguayan Government will liquidate the branch of the Banco Germánico in Asunción. According to the commercial code of Paraguay, any organization which has lost seventy-five per cent of its capital can be declared bankrupt, and in view of the action taken by the Buenos Aires headquarters in canceling the 1,000,000 Argentine pesos capital of the Asunción branch, to all intents and purposes its entire capital structure has been dissolved. The Buenos Aires headquarters of the bank has also refused to return to the Asunción branch a deposit in Argentine currency maintained by the branch in Buenos Aires amounting to 122,847 Argentine pesos. In addition to these elements in the picture, as has been mentioned previously, the local branch of the German Bank has refused to repay to the bank of the Republic certain deposits in excess of the value of 500,000 Argentine pesos, even though the request by the Bank of the Republic presumed a repayment of only 400,000 Argentine pesos. In as much as the policy of the Asunción branch appears to be dictated in its entirety by its Buenos Aires headquarters with one specific purpose in mind, and that is, to prevent the Paraguayan interventor from obtaining possession of any of the bank's assets which are beyond his immediate control, it is not surprising that the interventor has come to the conclusion that the only course now open is to make every effort to guard the interests of the bank's depositors who are all at least resident in Paraguay.

It is understood that the Banco Germánico in Asunción which is still carrying Paraguayan Government Treasury Letters to a value of approximately 550,000 Argentine pesos, has requested that these Treasury Letters be taken over by the Bank of the Republic (for the history of these Treasury Letters reference is made to the Embassy's despatch

No. 858, dated March 15, 1943 [55]). By assuming charge of these Treasury Letters the Bank of the Republic will be taking over a further Government obligation and will accordingly be assuming a further financial responsibility for the State. Of even more immediate importance is the fact that by the delivery of these Treasury Letters the Banco Germánico, presumably, will have delivered to the Bank of the Republic a value approximating the equivalent of the deposits of the Bank of the Republic, which deposits it has been instructed by its Buenos Aires headquarters not to repay.

In the conclusion of the report of the interventor of the Banco Germánico in Asunción to the Ministry of Interior and Justice, it is stated that the Asunción branch of the Banco Germánico of South America lost during the years 1942 and 1943, a sum total of 111,006 Argentine pesos and has as well had its capital wiped out and has further refused to make restitution on certain deposits. It is accordingly suggested that under the conditions of Article 369 of the Paraguayan commercial code, the bank should be judged insolvent and its liquidation *ipso-jure* should be announced when the Government so chooses. It is further suggested that the Paraguayan authority which is to make this liquidation, presumably the Bank of the Republic of Paraguay, may be able to undertake legal steps in Buenos Aires against the headquarters of the Banco Germánico demanding the restitution, not only of the capital, but also the deposits of the Paraguayan branch which are now held in Argentina.

As the Department knows, the Commercial Attaché and myself have been rather patiently working towards the ultimate goal of the liquidation of the Asunción branch of the Banco Germánico for well over a year. The actual intervention which took place on October 2, 1943, was the result of the Embassy's efforts and can be considered as a gesture on the part of the Paraguayan authorities to meet the obligations assumed at the time of the Rio de Janeiro conference,[56] as well as the recommendations approved at the Washington, D.C. meeting in 1942.[57] The Ministers of Foreign Affairs, Interior and Justice,[58] and Finance all informed me that they hoped that the decisiveness of this action would be noted (to their credit). There is no question that the intervention has been conducted on a high plane of morality and the interventor, Mr. Pablo Bergeman, deserves much

[55] Not printed.

[56] For texts of the resolutions of this Conference, 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), or Department of State *Bulletin*, February 7, 1942, pp. 117–141.

[57] For texts of these recommendations, see Pan American Union, Congress and Conference Series No. 39: *Final Act of the Inter-American Conference on Systems of Economic and Financial Control, June 30–July 10, 1942* (Washington, 1942).

[58] Col. Amancio Pampliega Peña, Minister of Interior and Justice.

credit for his astuteness and his impartial attitude towards the bank. However, it is also generally admitted that when the Paraguayan Government consented to the intervention of the bank none of the responsible officials had any idea that an examination of the bank would uncover the irregularities which have now been discovered. It is perfectly true that the rupture of relations with the Axis powers by Argentina and the frantic efforts of the Buenos Aires headquarters of the Banco Germánico to guard its assets have emphasized and crystallized these practices. However, the policy under which the Paraguayan branch of the Banco Germánico has been operating has been established for many years and for the first time the Paraguayan authorities now appear to be fully alive to the status of this bank and its policy towards the country and its inhabitants. The managers of the bank, both in Asunción and in Buenos Aires, now are being accused of bad faith and even intent to defraud, and it certainly appears that the life of the Asunción branch can be definitely numbered in days.

While the final blocking of the funds in the bank belonging to Axis persons or interests is confidential, at the moment there is no doubt that general knowledge regarding this development will gradually pervade throughout the city. The almost inevitable liquidation of the bank while it finds its origin in the bank's intervention, may, as a matter of policy, be considered by the Paraguayan authorities as a matter apart. In other words, the liquidation of the bank will probably be announced as a consequence of the bank's situation in this market and its reprehensible practices as such rather than as a conclusion connected with the intervention which is generally known as having been brought about by this mission.

Respectfully yours, WESLEY FROST

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710 Consultation 3 A/649 : Airgram

The Ambassador in Paraguay (Frost) to the Secretary of State

ASUNCIÓN, February 23, 1944—8 : 30 a. m.
[Received February 28—3 p. m.]

A–59. With further reference to the Department's telegram No. 43, February 16, 8 : 00 p. m., and supplementing my telegram No. 110, February 21, 5 : 00 p. m.,[59] the following report is submitted regarding the political defense problems and corresponding control measures in Paraguay. The information already available to the Embassy has been supplemented by a comprehensive discussion with the Director of Confidential Matters in the Ministry of Interior.* The topic head-

[59] Neither printed.
*Sr. Mario Ferrario. [Footnote in the original.]

ings used by the Committee in its report of March 30, 1943, are followed:

A. *Control of Dangerous Aliens.*

1. Registration of Nationals of the states of the Tripartite Pact [60] and states subservient to them has been effected. The Ministry of the Interior is watching such persons and states that in view of the fact that they are all known to the Ministry, their periodic personal appearance before the competent authorities is not being required.

2. A general register of foreigners, as recommended, is being maintained.

3. The central government office charged with the general direction of registration and archives, custody, and coordination of all proceedings and corresponding reports is the office of Sr. Mario Ferrario. Lack of government funds has prevented the establishment of any other office for this purpose. Mr. Ferrario states that he has only two employees.

4. The penalties provided for non-registration of aliens are in effect, according to Mr. Ferrario.

Since my despatch No. 1051 of May 28 [*20*], 1943 [61] a number of steps have been taken by the Paraguayan government to increase its control of aliens.

> The Deutsche Volksbund has been dissolved, its premises closed, its records seized and made available to an officer of this Embassy. The German bank has been very efficiently intervened and is highly likely to be closed almost immediately. The Japanese colony has been intervened in a thorough and satisfactory manner. Complete registration and fingerprinting of Japanese is planned.
>
> Italian subjects are not to be treated as enemy aliens (which description is more and more applied to Germans).

B. *Abuse of Citizenship.*

[5.] Information now available indicates that there have been only three naturalizations of Axis subjects within the last couple of years, two of whom were women. The court records of naturalizations, however, will be consulted in order to confirm this. Mr. Ferrario stated that he does not know of the cancellation of any naturalizations. In this connection he mentioned that the naturalization of aliens has been suspended until after the war.

C. *Entry and Exit and Clandestine Crossing of National Frontiers.*

6. No Axis subjects have been permitted to enter Paraguay except those who have already been resident in Argentina or Uruguay. Regarding possibility of illicit entry, it is admitted that it was possible, but to remain concealed once in this country would be almost impossible. The requirement of *cédulas* for foreigners apparently gives the

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[60] German-Italian-Japanese agreement signed at Berlin, September 27, 1940, League of Nations Treaty Series, vol. CCIV, p. 386. See also *Foreign Relations, Japan, 1931–1941*, vol. II, pp. 153 ff.

[61] Not printed.

government information regarding all foreigners entering the country.

7. Visa Requirements. Entry into the country by aliens is permitted only by means of visas granted by consular officers abroad after previous consultation with Paraguayan government.

8. Instructions have been issued to Paraguayan consular officers abroad in accordance with recommendations No. 6 and No. 7 above.

9. In order to obtain an exit permit, a sworn declaration is requested giving the destination and the purpose of the trip. A fee amounting to the equivalent of about 70 cents is collected for each declaration. Declarations not in accordance with proved activities would be the basis of criminal prosecution.

10. Mr. Ferrario has meetings from time to time with the police and the port police. The navy is also cooperating in the detention of all foreigners found on the frontiers without proper documents. Lack of motor boats and personnel makes complete control difficult.

11. Clandestine crossings. Six Nazis who have reached Paraguay from Brazil, where they had escaped from concentration camps at different times, were detained in Paraguay. Four of them are still confined to certain areas in this country; three in Ytacurubi and one in Encarnación, prohibited to leave those towns. The other two have escaped.

D. *Control of International Communications.*

12. All international communications are controlled by the government, and censorship of mail, telegrams and cables, and long distance telephone calls has been instituted. Two American censors were accepted and the Director of the Department of Posts and Telegraphs has cooperated very efficiently with our efforts to block enemy communications. The government has a black-list which is used in censoring postal correspondence. Axis nationals, when applying for permission to make long distance telephone calls outside the country, have to specify the time of the proposed conversation, and an official of the office of the Ministry of Interior then listens to the conversation. No cases have been discovered in which information unfavorable to the United Nations has been transmitted by telephone. Amateur radio transmission continues but a monitoring service exists.

E. *Protection against Sabotage.*

13. No sabotage in this country is known and although, at first, important equipment and installations, including *frigoríficos*, were guarded, this practice has been abolished, "as all of the Axis citizens employed thereon have been investigated and found to be not dangerous." This includes Axis citizens working on the railroad and in the post office.

F. *National Advisory Committee for Political Defense.*

14. Mr. Ferrario says that the National Advisory Committee still exists and that it meets every month or two, according to circumstances, in order to deal with matters which Mr. Ferrario cannot settle alone. He mentioned that the committee recently recommended that the naturalization of aliens be suspended until after the war, and that this measure has been agreed to by the government, as mentioned above.

Conclusion and Recommendation:

While it would seem desirable to have certain of the above controls tightened, it is not believed that much improvement is practicable at the present time in view of the limitations imposed by the military character of the present government, the great confidence which the president reposes in the chief of police and chief of investigations, and the difficulty of extending present control measures without a considerable expenditure of funds, not at present available for the purpose.

This Embassy, however, is not entirely in accord with the statement mentioned under A. 1, that nationals of Axis countries and their subordinate states are adequately watched by the Ministry of Interior since they are all known to that Ministry, and therefore, as stated in my telegram No. 110, February 21, 5:00 p. m., it is recommended that subjects of Axis countries and their subordinate states be required to appear before the competent authorities at such periodic intervals as may be practicable, in view of the large numbers in the country and the small personnel available to the authorities.

FROST

740.34112A/51 : Telegram

The Ambassador in Paraguay (Frost) to the Secretary of State

ASUNCIÓN, March 10, 1944—2 p. m.
[Received 8:25 p. m.]

149. Paraguayan Cabinet yesterday discussed the subject of discontinuance of purchases by Paraguayan Governmental entities from firms on Proclaimed List here. (President [62] had ordered such discontinuance late last November but compliance has been very imperfect). Minister of Agriculture [63] undertook to discontinue such purchases by rapid stages on the understanding that supplies and merchandise necessary for his Ministry will be forthcoming from the United Nations. Other Cabinet Ministers expressed willingness to take such action when and if they are assured that the needs of their respective Ministries can be filled by purchases from listed firms. They made the point, however, that three or more of the largest non-listed importing and distributing firms have been shown to have conspired in aid of the abortive Bray revolt [64] of January 26 and consequently cannot be patronized by this Government. The firms in question have handled a substantial share of the American goods sold here. Thus the situation as to abstention by the Government agencies from trading with listed firms will be difficult until arrangements can be made for

[62] Higínio Morínigo.
[63] Juan Plate.
[64] Short-lived uprising headed by the popular Col. Arturo Bray, leader of a so-called liberal faction.

adequate supplies in the hands of non-listed firms who are not unfriendly to the present Government. This telegram is merely informatory. If found desirable recommendations will be submitted later.

In actual fact Ministry of Agriculture has already gone farther than Minister indicates as Commercial Attaché [65] secured issuance of instructions fortnight ago by Agricultural Bank against any business by its branches with listed firms.

FROST

740.34112A/57

The Ambassador in Paraguay (Frost) to the Secretary of State

[Extracts]

No. 1900 ASUNCIÓN, March 17, 1944.
[Received March 30.]

SIR: I have the honor to request that the Department advise the Embassy whether or not Colegio Alemán, Asunción, Paraguay should be recommended for inclusion in the Proclaimed List of Certain Blocked Nationals.

. . . . . .

Control of the German schools in Paraguay was exercised by Unión Germánica through the German School Association prior to the closing of the German Legation. The Association received funds and supplies from the German Legation. It is evident that the Society was nothing more than an instrument of the Nazi party operating under Unión Germánica, the major instrument of the party in Paraguay. It is known, too, that the German School Association controlled Sociedad Escolar Alemán which in conformity with Paraguayan law operated Colegio Alemán. Seven of the ten members of the board of directors of the German School Association were Nazi party members.

When the German Legation was closed in 1942 the Asociación Alemán de Ayuda Social was formed. It is known that this is a Nazi organization and that Colegio Alemán receives substantial financial aid from it.

The school's board of directors is composed of fifteen persons, twelve of whom are German. The administration is entirely in the hands of German personnel: the Director, the Secretary and four of the teachers in the most important positions are members of the Nazi party. It is evident from what has been said above that from 1933 until the closing of the German Legation in 1942 the school was under control of the Nazi party. That it is still under that control is apparent from

[65] DuWayne G. Clark.

the fact that it continues to receive aid from the Nazi organization, Asociación Alemán de Ayuda Social; from the fact that some Nazi teachers are still in the staff of the school; because its administration and internal control has not changed since the closing of the German Legation at the end of 1942 and the dissolution of Union Germánica in late 1943. As a final proof of Nazi control, a letter was written within the last several months from the school to its president, at that time vacationing in Argentina. The president of the school board replied and advised the vice-president that the school board should hold its annual meeting without his being present but directed that before any action be taken, Reimer Behrens, the leader of the Nazi party in Paraguay, should be consulted. There is no doubt that the Nazi party has complete control of Colegio Alemán.

This information has been established by investigations conducted by the Office of the Legal Attaché of this Embassy.

Colegio Alemán is recognized as one of the best schools in Paraguay and many Paraguayans who occupy important economic and political positions in the country were educated there. It is highly probable that these individuals, as well as the parents of children now attending the school, would resent any action taken against it. There is also the fact that the school operates under a substantial deficit and that this deficit is met from private sources rather than by the government. If this private support (from a Nazi organization) were to be withdrawn either the Government would have to assume an additional financial burden which it can ill afford, or the school's activities or curriculum would have to be curtailed. There is even the possibility that the school might close and it must be admitted that its loss would seriously reduce the available educational facilities. It should be mentioned too that despite what has been said above about the school it is being conducted today in a conservative manner and there are no known indications of Nazism. It no longer displays the German swastika and Hitler's pictures have been removed from the classrooms. Parents of the numerous Paraguayan children who attend the Colegio would in view of this, and in view of the fact that the Colegio is not a commercial organism, would feel "blacklisting" to be inappropriate; so that a substantial number of Paraguayan enemies might be created.

On the other hand, Colegio Alemán has been since approximately 1933, and is still, under Nazi control. It still receives substantial financial assistance from a Nazi organization and still has Nazi personnel in key positions. It remains as a nucleus for revivifying Nazi activities if ever the opportunity arises. It is doubtful that listing the

school would cause it to close down or materially reduce its enrollment but there is an opinion in the Embassy that it should be placed on the Proclaimed List as a matter of principle despite the fact that listing will not materially harm it.

I shall greatly appreciate it if the Department will inform the Embassy as soon as possible of its opinion in the case.

Respectfully yours, WESLEY FROST

740.34112A/60

The Ambassador in Paraguay (Frost) to the Secretary of State

[Extracts]

No. 1914 ASUNCIÓN, March 21, 1944.
[Received March 29.]

SIR: I have the honor to refer to my despatch No. 1891 of March 11, 1944 [66] entitled "Enforcement of Proclaimed List in Paraguay." The despatch in question reported that Foreign Minister Argaña was endeavoring to secure actual compliance by governmental organisms with the oral instructions given by President Morínigo early last December against patronizing Listed firms. This policy was to be contingent however upon assurances that all classes of goods could be readily purchased in this market without recourse to the Axis concerns in question.

. . . . . .

Most unfortunately, as the Department is now aware, Dr. Argaña felt obliged to resign his position over the week-end, a step in which he appears to have been accompanied by the Ministers of Finance and Education. As this despatch is dictated the Cabinet crisis has not yet been resolved, and it is impossible to foresee who the new Minister of Foreign Affairs will be or when he will be installed.[67] In any event he will be less pro-Ally and more under the influence of the military elements here than was Dr. Argaña; so that our prospects for securing action along the lines for which we had hoped seem to have been damaged. It is possible that President Morínigo's desire to convince us that Dr. Argaña's successor would be pro-Allied may be utilized to secure action against the Proclaimed List; but this is problematical. The Department will be kept informed.

Respectfully yours, WESLEY FROST

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[66] Not printed.

[67] Later on March 21 the Ambassador reported that Juan Horacio Chiriani was named to succeed Argaña.

740.34112 RP/10

The Ambassador in Paraguay (Frost) to the Secretary of State

[Extracts]

No. 1918 ASUNCIÓN, March 23, 1944.
[Received April 3.]

SIR: I have the honor to inform the Department that on Tuesday, March 21, 1944, the Bank of the Republic, at a meeting of its Board of Directors, accepted a proposal dated March 15th, which had been submitted by the Asunción branch of the Banco Germánico. In brief, the proposal was that the Banco Germánico, which for some months has been in financial difficulties, would be relieved of certain Paraguayan Government Treasury Letters which would be taken over by the Bank of the Republic of Paraguay. The proposal also presumed that certain deposits which the Bank of the Republic had maintained with the Banco Germánico and which had been refused repayment would also be liquidated. In this connection the Department is referred to the Embassy's telegram No. 103, February 18, 3:00 p. m., 1944,[68] and to the Embassy's strictly confidential despatch No. 1836, dated February 21, 1944.

. . . . . .

The presentation and acceptance of this proposal by the Bank of the Republic was anticipated in the Embassy's strictly confidential despatch No. 1836, under reference. In actual fact, the settlement of the account amounts to the Bank of the Republic's being repaid its deposits with the Banco Germánico in the form of the Paraguayan Treasury Letters which the Banco Germánico has held for a period of some years (see Embassy's despatch No. 858, dated March 15, 1943 [68]).

In the final analysis the Bank of the Republic has assumed an asset of questionable value as represented by the Government's Treasury Letters and to the extent of the value of these Letters has further immobilized its own capital. The Banco Germánico on its part has managed to increase its liquid assets to the same extent, but even by this improvement in its cash position its balance sheet projected in the proposal submitted to the Bank of the Republic still shows a debit balance of 37,843 guaranies, or approximately $12,614.00 United States currency. From a purely statistical point of view the Banco Germánico is, therefore, still insolvent.

It is understood that the officials of the Bank of the Republic are again pressing the administration of the Banco Germánico in Buenos Aires through the Asunción branch for the physical payment of the bank's capital into an account in Paraguay. It has been suggested

[68] Not printed.

that, at least in theory, this purpose might be accomplished by the recognition under the heading of capital of the valuation of the Banco Germánico's building which stands at 280,000 Argentine pesos, and the bank's losses over the past five years which stand at approximately 120,000 Argentine pesos. In addition to these two items there would, accordingly, remain 600,000 Argentine pesos but this, at least so far, is still maintained by the parent organization in Buenos Aires as a credit entry in its books in favor of its Asunción branch. It is this capital item which the Bank of the Republic is attempting to have deposited in Paraguay proper, but, so far, these suggestions have been completely unsuccessful.

It is still an open question as to whether or not the Paraguayan Government will pursue this matter to a positive conclusion by liquidating the Banco Germánico in Asunción. The proposal which has been accepted has not to any degree changed the financial status of the Banco Germánico and it is very doubtful whether the responsible Paraguayan officials feel that this institution can now, or in the future, make any real contribution to the economic development of the country. Unfortunately, the officials of the Banco Germánico, some of whom are openly known and admitted to be aggressive and active Nazis, are said to be well connected particularly with the Paraguayan military, and it is problematical whether the Banco Germánico can be liquidated without its becoming a major political point of disputation. The Minister of Finance has three times assured me personally, the last time only today, that he is absolutely determined upon proceeding with the liquidation.

Several of the officials of the Bank of the Republic have admitted the fact that the Banco Germánico in Asunción has not only been guilty of loose financial practices but that it has, as well, prejudiced the interests of its Paraguayan depositors by making poorly secured or wholly unsecured loans and advances to German firms in this area which have, at times, found it unwise to invest real capital in Paraguay. One excellent case in point is Staudt & Company which has little capital of its own and is conducting a large business on the basis of an overdraft or open account with the Banco Germánico which amounts to 100,000 guaranies. Some conflict between these German interests would seem to be very much in evidence as it is known that the Banco Germánico has requested and demanded that Staudt reduce this overdraft but Staudt, in accordance with instructions received from its Buenos Aires headquarters, has refused to take such action.

The future course of the intervention of the Banco Germánico would appear to depend, at least to a certain extent, upon the promulgation of the new banking law of Paraguay which is expected to appear

within the next several months. It is reported that this law will require all banks to deliver their capital in Paraguay presumably either in the form of cash or in the form of negotiable securities. Whether the Buenos Aires officials of the Banco Germánico will be willing to take such a step is a matter of conjecture. The Finance Minister has definitely declared to me that the Paraguayan Government is pursuing a policy of attempting to compel the repatriation of as many of the assets of the Banco Germánico as is possible and that once the Banco Germánico and has been placed in a solvent position and its assets are under the control of the Paraguayan Government its liquidation will be ordered. The primary concern of the interventor and the officials of the Bank of the Republic has been the possibility of serious losses being visited upon Paraguayan depositors should the Banco Germánico be dissolved, and to a certain extent this difficulty may be solved within the next few weeks. However, as has been mentioned before, the actual liquidation of the Banco Germánico is a highly explosive political proposition and it would appear problematical whether the liquidation can be forced, as promised by Dr. Espinoza, while the political temper of the country remains as it is.

Respectfully yours, WESLEY FROST

740.00115 European War (1939)/9027 : Telegram

The Ambassador in Paraguay (Frost) to the Secretary of State

ASUNCIÓN, March 27, 1944—2 p. m.
[Received 10:06 p. m.]

176. Regarding expulsion of German organizers dealt with in despatch 1860 March 1, 1944 [70] I am happy to report that President and Foreign Minister have now promised that several expulsions can be arranged in immediate future. In view of exit of three pro-Ally Ministers [71] from the Paraguayan Cabinet I indicated that definite action regarding Nazi leaders would reassure United States and other countries as to Paraguay's continuance of United Nations' policy.

Problem of transportation to the United States must be discussed very shortly and prompt information respecting it from the Department would be helpful including possibilities of army planes from Panama.

FROST

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[70] Not printed.

[71] The Ministers of Foreign Affairs (Argaña), Education (Gross-Brown), and Finance (Espinoza).

740.00115 European War (1939)/9042 : Telegram

The Ambassador in Paraguay (Frost) to the Secretary of State

ASUNCIÓN, March 28, 1944—4 p. m.
[Received 9:35 p. m.]

179. See my 176, March 27, 2 p. m. Extensive conversation with powerful Minister of Interior indicates that while he is willing at President's instance to expel a small number of Nazi leaders he is against sending them to the U.S. To avoid local recriminations that Paraguay is adopting "persecution" under American pressure he said it would be desirable to expel one or two at a time sending them to different countries. He insisted that local feeling would not be pro-Nazi but simply Anti-Draconianism or possibly *anti-entrequismo* (latter word is in vogue here to signify delivery of Paraguay to Yankees). He suggested that Brazil be asked to take a hand diplomatically.

I used many arguments and gave him copies of well documented memoranda by Legal Attaché on Nazi penetration here as well as list of 26 Nazi leaders not having Paraguayan ties. He promised that something will be done in the near future and in view of President's interest I shall keep pressing for action. But he is definitely against arrival here of American planes and indeed against idea of internment in the U.S. Department may consider consulting with Brazil.

FROST

740.34112A/73

The Ambassador in Paraguay (Frost) to the Secretary of State

[Extract]

No. 1971 ASUNCIÓN, April 7, 1944.
[Received April 20.]

SIR: . . .

. . . . . .

Among the special factors which at the outset limited the rendering effective of the Proclaimed List in Paraguay may be mentioned the following:

(*a*) From 20% to 30% of the commercial business of Asunción was in the hands of German or Italian firms when the List was instituted in July 1941, and perhaps 10% more in the hands of Argentine firms. As to certain essentials, such as hardware and drugs, the percentages were very much higher.

(*b*) The German population of Paraguay has been estimated carefully by our Legal Attaché at 26,000 in a total of 1,000,000. In and around Asunción it has been some 5,000, in a total population of about 120,000. (In 1941 there were less than 30 American citizens in Para-

guay, and less than 300 British; with virtually none of these engaged in commercial effort, and very few resident in Asunción.) The Germans and Italians constitute the most useful foreign element here,—respected and liked because of their intelligence, efficiency and character. Paraguay has deeply craved good immigrants, and the Germans and Italians have been the only desirable races to arrive and settle here. When the present Government took power, and was still precarious, they and their friends were its promptest supporters, partly because of its authoritarian ideology.

(*c*) The proximity of Argentine sources of supply for the manufactured and other goods handled by the large German and Italian firms here enables the latter to maintain full stocks without recourse to English or American supplies. (In 1941 the Argentine supplying of the local Proclaimed List firms was simply a natural continuation of long established relationships. In recent months, since the Argentine Government has shown itself anti-American, permission for Argentine goods to be exported to Paraguay may conjecturably have been somewhat more freely obtainable by Listed firms in both countries than by non-Listed firms.)

In view of the foregoing conditions,—German ascendency in certain military and governmental circles, German predominance in trade, German strength in the general life of the country, and German aid from Argentina,—this Embassy has at all times been forced to proceed cautiously in its endeavors to render the operation of the Proclaimed List effective.

In drawing up the original List it was decided to include first of all those Axis firms here whose members were most definitely known as participating in the Nazi and Fascist activities, so that the local Government and public could see that the listings were not made capriciously or without justification. My British colleague here concurred in the view that it was inadvisable at once to broaden the List to a degree which might be thought gratuitous. He was also in agreement that it should not be expanded in such wise as to dislocate local commercial and private trade conditions too abruptly and disturbingly. (At this juncture the Embassy had no Commercial Attaché, and a total of only two secretaries, both very junior. The List-building had to be handled along simple lines.)

As a result of this policy of carefulness the Paraguayan Government, which at that time (July 1941) [72] had not decided its general policy on the war, and was generally regarded as inclining toward the Axis, took no formal umbrage at the creation of the List. It was induced by me to recognize, even before Pearl Harbor, that measures of this type are natural from the standpoint of the practical interests and necessities of the United States and of Great Britain. The For-

[72] The proclamation authorizing the Proclaimed List of certain Blocked Nationals was issued by President Roosevelt on July 17, 1941. For texts of the proclamation and press release, see Department of State *Bulletin*, July 19, 1941, p. 41.

eign Minister had for years been the attorney of the largest Italian firm which I placed on the List, and he at once discussed the case with me in detail. Our conversations ranged over many aspects of the war, and gave opportunity for justifying rationally our point of view on the Proclaimed List. They were successful to such an extent that when the firm in which he was interested declined to sign an undertaking [73] (about December 1941) he informed me that he fully accepted and sympathized with our objectives and methods.

From that day forward Dr. Argaña was our ally in seeing that no complaints from Axis firms, many of whom have had excellent relations within the Morínigo régime, should be taken up by his Government. He was handicapped by the need for defending his position in the Government, but at least secured absence of interference with our efforts.

A Decree-Law exists (it was designed to combat hoarding) under which any firm in Paraguay is forced to sell to any purchaser any commodities which it has on hand. A Listed firm seeking to buy goods, even American goods, on hand in a non-Listed firm thus has the legal right to institute suit against the latter to compel sale. This could mean that the Listed firms could secure supplies of Allied goods. For weeks and months we received rumors that such suits were about to be brought,—which would have undermined our efforts. They were not brought, fortunately; and it seems clear that the German and Italian merchants were led to feel from the attitude in governmental circles that any attempts of theirs along this line would be unsuccessful. In other words the Government, beyond doubt, has informally protected us from the subversion of our Proclaimed List system which otherwise under its own Decree-Law could have been wrought.

. . . . . .

Respectfully yours, WESLEY FROST

740.34112 RP/12a : Telegram

The Secretary of State to the Ambassador in Paraguay (Frost)

WASHINGTON, April 29, 1944—3 p. m.

137. Department and Eximbank do not deem it advisable to indicate, even by discussion, possibility that the Bank would consider additional lines of credit to Paraguay for purpose referred to in your telegrams 98 of February 16 and 178 of March 27 [74] during time that payments to Bank are in arrears or thereafter until Government

[73] A term applied to a promise to have no business dealings with persons on the Proclaimed List.

[74] Latter not printed.

of Paraguay has evidenced its intention and ability to meet installments promptly.

It is assumed that you have already informed Paraguayan officials of the previously stated position of Department and Bank that United States should be requested to furnish financial assistance to effect a program of eliminating undesirable interests only in the event and to the extent that local capital cannot be made available for such purposes. Please emphasize arguments against unnecessarily creating dollar obligations and thereby placing a burden on future dollar exchange position of Paraguay in order to carry out a program which will involve payments solely in local currency. It may be possible to finance purchase of Axis enterprises by issuance of Paraguayan bonds, to be deposited in blocked accounts.

For your confidential information you are advised that even if it should later appear that extension of dollar credits is necessary and circumstances are appropriate the Bank in such event would consider extending such credits only to and against the unconditional obligations of Banco de la República or if that should not be practicable directly to Government of Paraguay.

HULL

740.00115 European War (1939)/9861

The Ambassador in Paraguay (Frost) to the Secretary of State

No. 2121 ASUNCIÓN, May 23, 1944.
[Received May 31.]

SIR: I have the honor to refer to my despatch No. 1984 of April 15, 1944 and to confirm hereby my telegram No. 285 of May 20, 4 p. m.[75] reporting that the Paraguayan Government has expelled from their places of residence four of the leading German organizers in Paraguay. These persons are as follows: Reimer Behrens, Georg Schneider, Fritz Kliewer and Julius Legiehn. They have been sent to the Village of San Pedro, near the east shore of the Paraguay River north of Puerto Rosario, and are destined for internment at or near the village of Lima, inland from San Pedro.

The two Germans first named have been superior employees of the Banco Germánico here, and Behrens is the Leader of the Nazi Party organization in this country. The operations of the Banco Germánico have been reduced to almost nothing by the intervention of the Paraguayan Government and by the operation of our Proclaimed List and the British Black List. Behrens is said to have boasted that he holds a letter signed by the Minister of the Interior permitting him to emigrate

[75] Neither printed.

to Argentina; and we have information that the Argentine Government has agreed to admit both him and Schneider. Careful attention is accordingly being given by the Legal Attaché's office to verifying that these men are actually interned and do not slip away to Argentine territory.

The second two agents had been respectively the head of the school system and the head of the religious system of the German Mennonite colonies at Philadelphia and Fernheim, in the Paraguayan Chaco. The Embassy is not yet positive that they have actually arrived at San Pedro, despite assurances from the Minister of the Interior.

The compliance of the Paraguayan Government with the promises given me by the President and the Foreign Minister late in March appears to have been reduced to an absolute minimum, and the implementation even of this minimum in entire good faith is not certain. There is no question however but that the relegation of Behrens and Schneider from Asunción has caused general dismay among the Germans in Paraguay, and that the extrusion of Kliewer and Legiehn from the Mennonite colonies has induced a chastened spirit there. The Minister of the Interior maintains that any rapid or comprehensive action would arouse wide opposition as smacking of needless persecution. The Department will recall that he claims to believe that the Paraguayan tendency invariably to sympathize with the underdog is such that the confinement of the Nazi agents, many of whom are men with wives and families, long settled in Paraguay, would create unrest and criticism of the Government. He has repeatedly assured me that when he has once established his system of relegation, (now apparently really commenced), and created an internment camp or at least a neighborhood in which Germans can be concentrated and guarded, he will gradually increase the number of internees.

Respectfully yours, WESLEY FROST

740.34112 RP/7–1244 : Telegram

The Chargé in Paraguay (Reed) to the Secretary of State

ASUNCIÓN, July 12, 1944—5 p. m.
[Received, 9:11 p. m.]

387. The Undersecretary of Foreign Relations [76] told me this morning that the President is interested in removing all the quebracho properties in Paraguay from foreign control and that instructions are being sent to Ambassador Velásquez to approach the Department with a view to an Export Bank loan for purchasing them.

REED

[76] Mario Ferrario.

740.34112A/7–2944 : Airgram

The Chargé in Paraguay (Reed) to the Secretary of State

ASUNCIÓN, July 29, 1944—9 a. m.
[Received August 5—8 a. m.]

A–280. Reference Embassy's airgram 270, July 22, 1944, 8:30 a. m.[77] Minister of Education[78] this morning agreed to cooperate fully in order to eliminate undesirable elements from Colegio Alemán. He considered the matter as sufficiently delicate, however, to require conference with his colleagues and possibly the President before advising as to whether this reorganization could be more easily effected without Colegio Alemán having been listed or whether he would prefer listing action as a start. His personal and preliminary opinion was that the Paraguayan Government could intervene the school, actually naming the interventor as the Director and eliminating those known to be undesirable.

In view of the Minister's position Embassy requests that listing action be delayed pending further advice to Department. Minister of Education has promised to express Paraguayan Government's desires and to indicate action they are willing to take, in one week's time at which time Department will be advised.

REED

740.34112A/8–644 : Airgram

The Chargé in Paraguay (Reed) to the Secretary of State

ASUNCIÓN, August 6, 1944—8:45 a. m.
[Received August 12—8 a. m.]

A–285. Referring pending question relative to listing of Colegio Alemán, last referred to in Embassy's Airgram No. 280, July 29, 9:00 a. m., 1944, following developments are reported.

Minister of Education advises that matter was discussed in the Council of Ministers yesterday, and that conclusion was reached that any action on his part must be subject to a directive, presumably emanating from the Ministry of Foreign Relations. He suggested that this Embassy document the case before that Ministry. It was explained that such procedure could hardly be followed since entire matter was one pertaining to inclusion on a List not recognized by his Government; that the matter had been discussed informally with the Foreign Office with the view to cooperating the best way possible with Paraguay. It was also pointed out that the Paraguayan Ministry of Interior was

[77] Not printed.
[78] Juan Dario Quiroz.

completely informed about Colegio Alemán and Asociación Alemán de Ayuda Social.

As a consequence, the Commercial Attaché again discussed the matter informally with the Under-Secretary of Foreign Relations who has verbally advised the Embassy that the case will be taken up tomorrow, on August 5, in the Paraguayan Consultative Committee for Political Defense, of which he is chairman, and that this Committee would recommend to the proper Ministry of the Government, presumably the Ministry of Interior, that it direct the Ministry of Education to take action. This action is tentatively understood to be effective intervention and the removal from the Colegio of all individuals and elements considered objectionable. The Embassy is of the opinion that if effective steps in this direction are taken, no listing will be required. The matter will be followed closely and promptly reported for Department's consideration.

REED

740.34112A/8–2144

The Chargé in Paraguay (Reed) to the Secretary of State

No. 2371 ASUNCIÓN, August 21, 1944.
[Received August 30.]

SIR: I have the honor to confirm my telegram No. 471, 9 a. m. of today's date [79] reporting the signature by the President of a decree prohibiting purchases by Government offices or institutions from firms on the Proclaimed List, when the desired goods can be obtained elsewhere under equal conditions. A copy and translation of the decree referred to is transmitted herewith.[79]

As the Department is aware, this Embassy has been endeavoring for some months to secure the issuance by the Paraguayan Government of a decrêe of this nature. Oral instructions, apparently along these lines, were issued by the President to members of the cabinet some months ago, but the issuance of an official decree was delayed. As the oral instructions were not effective in stopping official patronage of Proclaimed List firms, this Embassy renewed its representations, pointing out the incompatibility of the Government's public statements of support of the Allied cause, with continued purchases by Government departments and institutions from firms on the Proclaimed List. About two weeks ago, the Under Secretary of State informed me that he had drafted a decree on this subject, the Minister, Dr. Chiriani, mentioned it a little later, and it has now been signed by the President, as of August 18.

[79] Not printed.

The issuance of the decree has received publicity in the two leading morning papers, *El Paraguayo* and *La Tribuna*, as well as in the afternoon paper, *El País*. Cuttings from all three papers are transmitted herewith.

Respectfully yours, LESLIE E. REED

740.34112A/8–2144 : Telegram

The Chargé in Paraguay (Reed) to the Secretary of State

ASUNCIÓN, August 21, 1944—7 p. m.
[Received 10 : 29 p. m.]

474. Following proposal regarding Colegio Alemán was communicated verbally this morning to member of Embassy staff by Under Secretary of Foreign Relations.

If Department will withhold listing discussed in Embassy's airgram 285, August 6, Paraguayan Government will remove and relegate to restricted area Oscar Ketterer its present director and leading Nazi official now active here replacing him with acceptable Paraguayan. They will also appoint Paraguayan to handle school finances. Government promises further action in eliminating other objectionable elements when school year ends November 15. They do not wish to take this action now for fear elements controlling school will close it in which case Paraguayan Government would have no immediately available facilities to care for students.

In view importance of confining Ketterer plus fact that we have delayed 2 years in listing school, Embassy feels Paraguayan proposal satisfactory and urgently recommends telegraphic authorization to accept. Above action by Paraguay it is promised will immediately confirm our agreement.

REED

740.34112A/8–2144 : Telegram

The Secretary of State to the Chargé in Paraguay (Reed)

WASHINGTON, August 24, 1944—5 p. m.

269. Proposal regarding Colegio Alemán contained in urtel 474, August 21, 7 p. m., satisfactory to Department. You are authorized to accept proposal stipulating 1) immediate removal of Ketterer, 2) his relegation to restricted area, 3) appointment of Paraguayan to handle school finances, 4) further action in eliminating other objectionable elements November 15.

HULL

740.34112A/8–3144 : Telegram

The Chargé in Paraguay (Reed) to the Secretary of State

ASUNCIÓN, August 31, 1944—10 p. m.
[Received August 31—2 p. m.]

491. ReDeptel 269, August 24, 5 p. m. Press this morning announced decision of Minister of Education to remove from the Colegio Alemán the present Director and Secretary, and to replace them by Dr. Lyisa Lescano as Director Interventor and accountant Margarita Ayala as Disbursing Secretary. The assignment of Rafael Avila as representative of the Minister of Education in the college has been terminated. Direction of the college will be formally turned over to the new authorities today.

REED

740.34112A/9–2244 : Telegram

The Ambassador in Paraguay (Beaulac) to the Secretary of State

ASUNCIÓN, September 22, 1944—4 p. m.
[Received September 23—12:36 a. m.]

537. The Minister for Foreign Affairs informed me this morning Paraguayan Government is desirous of cooperating in sense of Department's circular telegram September 20, 5 p. m.[80] I discussed with him in principle possible absorption by Bank of Paraguay of Banco Germánico and forced sale of spearhead Axis firms and he expressed a desire to discuss matters in detail. I said if temporary financing were needed to carry out some of these operations I should be glad to explore possibility of such financing by an agency of our Government.

BEAULAC

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[80] *Ante*, p. 530.

PERU

PROBLEMS ARISING FROM PERUVIAN REQUESTS FOR DEFENSE WEAPONS FROM THE UNITED STATES

823.24/1148

The Chargé in Peru (Butler) to the Secretary of State

No. 9041 LIMA, February 16, 1944.
[Received February 22.]

SIR: I have the honor to report that the arrival at Callao on February 12 of the two submarine chasers recently acquired by Peru in virtue of the Lend-Lease agreement [1] was attended by a minimum of publicity which, either through oversight or design, omitted all reference to the nature of their acquisition from the United States Government. The very brief items that appeared in the local press (of which the enclosed clipping is a sample) uniformly described the new naval units as having been "acquired by the Government in the United States".

It should be mentioned, however, that the arrival in September 1943 of the first two submarine chasers obtained under Lend-Lease resulted in a fair amount of favorable publicity which gave full credit to the United States for making them available. (See Embassy's despatch no. 7772 of September 3, 1943.[2])

Respectfully yours, GEORGE H. BUTLER

823.248/354

Memorandum by the Assistant Chief, Division of West Coast Affairs (Lyon), to the Director, Office of American Republic Affairs (Duggan)

[WASHINGTON,] February 25, 1944.

MR. DUGGAN: Colonel Revoredo [3] is probably coming to complain to you about the action of the Munitions Assignment Committee "Air" in turning down an application by Peru on February 2 for twelve dive bombers. The refusal to allow Peru to receive these planes is in keeping with our policy which is not to supply combat

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[1] Not printed; for bracketed note concerning the agreement, see *Foreign Relations*, 1942, vol. VI, p. 673.
[2] Not printed.
[3] Col. Armando Revoredo, Peruvian Air Attaché in Washington.

planes to the other Americas which are not actually engaged in the war. I believe the only exceptions are Mexico and Brazil.[4]

What I had in mind when I spoke to you was the attached letter from Mr. Bonsal [5] to Jeff Patterson [6] concerning a military mission for Peru, which Patterson discussed when he was up here last week. I now think it unlikely, however, that Revoredo would be discussing this as it seems to be a matter originating with Colonel Johnson.[7]

823.24/1177

The Chargé in Peru (Patterson) to the Secretary of State

No. 9298 LIMA, March 23, 1944.
[Received April 5.]

SIR: I have the honor to refer to the Embassy's despatch no. 8195 of October 27, 1943,[8] and to other communications expressive of opinions held in and about this Embassy in respect of the supply of Lend-Lease equipment, and especially military weapons capable of offensive military use, to the Peruvian Government.

A recent visitor from Washington, Colonel Kenner Hertford, Chief of Operations, Division for Western Hemisphere, War Department General Staff, has indicated that the original military and naval Lend-Lease, more or less earmarked for Peru early in 1942, has been very largely supplied.

I understood Colonel Hertford to state, however, that this approaching exhaustion of the flow of Lend-Lease supplies did not necessarily mean the stoppage of the same, but rather adoption of a new attitude toward the supply of such materials to Peru.

It would seem that the United States military authorities are desirous of orienting the Peruvian military, who have only too often looked toward Europe in the past, toward the United States. The Peruvian Army is regarded as in all probability a permanent factor in the formation of Peru's policies. Accordingly, in view of this military influence in the national life, it is felt that the training of Peruvian officers in the United States should be continued. Likewise, since these same officers would learn to use American matériel in school in the United States, ways and means should be found of supplying them and the Army with equipment of United States origin.

Accordingly, United States military interests will probably require a continuation of the supply of military Lend-Lease matériel to Peru

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[4] For correspondence on the development of a revised policy on sending weapons to the American Republics, see pp. 87 ff.

[5] Philip W. Bonsal, Deputy Director, Office of American Republic Affairs; letter not printed.

[6] Jefferson Patterson, Counselor of Embassy in Peru.

[7] Presumably Col. Bayard A. C. Johnson.

[8] Not printed.

with a view to accustoming the Peruvian military to the use of the same and eventually to equipping the entire armed forces of the country with weapons and other supplies of North American manufacture.

Colonel Hertford appeared to realize the possible disadvantages which might ensue from any but the most careful and carefully supervised supply of such equipment to the Peruvian armed forces. He was well aware that the Army might be tempted to employ such equipment, supplied under Lend-Lease, to quell internal popular movements or for utilization against neighboring states. At the same time Colonel Hertford quite reasonably pointed out that, since the Peruvian Army would be a continuing factor in this country's life and would supply itself with equipment from some source, the United States should be that source.

Respectfully yours, JEFFERSON PATTERSON

823.24/1176

The Chargé in Peru (Patterson) to the Secretary of State

No. 9321 LIMA, March 25, 1944.
[Received April 4.]

SIR: I have the honor to refer to my despatch no. 9298 of March 23 reporting possible changes in the administration of Lend-Lease equipment, with especial reference to military supplies, foreshadowed for Peru by Colonel Kenner Hertford, Chief of Operations, Division for the Western Hemisphere, War Department General Staff.

Colonel Hertford called yesterday afternoon prior to departing for Guayaquil, en route to Quito and Bogotá, this morning. He expressed himself as most content with the reception accorded him by the Peruvian military authorities, with whom he had had interesting talks and from whom he had received hospitality.

Colonel Hertford stated, with respect to possible renewal of staff conversations [9] with a view to revision of earlier understandings, that he had made no commitments. Colonel Hertford had, however, gained the distinct impression that the Peruvian military authorities were desirous of continuing close cooperation with the United States. The problem of the supply of Lend-Lease would be to enable the Peruvians to have access to what they might need for defensive purposes involving cooperation with the United States, without giving them materials which they would be tempted to use in offensive operations against their neighbors.

Respectfully yours, JEFFERSON PATTERSON

[9] For correspondence on earlier staff conversations, see *Foreign Relations*, 1940, vol. v, pp. 1142 ff.

823.24/1184

The Ambassador in Peru (White) to the Secretary of State

No. 53 LIMA, April 12, 1944.
[Received April 24.]

SIR: With reference to the Department's circular instruction of March 23, 1944 (File No. 810.24/495A) [10] on the subject of markings and insignia on Lend-Lease material supplied to the other American republics, I have the honor to inform the Department that the Acting Military Attaché to the Embassy, Major G. A. Little, has advised me that instructions similar to those in the communication under reference have been received by his office.

In consequence thereof the appropriate Peruvian authorities have been advised that United States insignia will be removed from Lend-Lease equipment, whenever possible, prior to delivery to the Peruvian authorities. When such removal may not be possible, authorization has been accorded to the Peruvian authorities to eliminate United States Army markings.

Respectfully yours, For the Ambassador:
JEFFERSON PATTERSON
Counselor of Embassy

823.248/6–2044

The Ambassador in Peru (White) to the Secretary of State

[Extract]

No. 645 LIMA, June 20, 1944.
[Received June 28.]

SIR: I have the honor to refer to previous commentaries on Lend-Lease equipment supplied by United States governmental agencies to Peru and to report the arrival on the 19th instant of 28 training airplanes piloted by Peruvians who had proceeded to the United States for the purpose of obtaining possession of these craft.

It may be of possible interest to the Department to be informed that, although the approach of these planes was heralded in the local press and their arrival witnessed by President Prado and General Melgar,[11] the fact of their having been obtained through the munificence of the United States has received not the least mention.

. . . . . .

Respectfully yours, For the Ambassador:
JEFFERSON PATTERSON
Counselor of Embassy

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[10] Not printed; it indicated that the Department had received reports of the use of equipment bearing the markings and insignia of Lend Lease in quelling domestic disorder.

[11] Gen. Fernando Melgar, Minister of Aeronautics.

823.248/6–2344

Memorandum of Conversation, by the Assistant Chief, Division of Foreign Activity Correlation (Hodgdon)

[WASHINGTON,] June 23, 1944.

Participants: Mr. Ted Gray [13]
Mr. Jarvis, AD [14]
Mr. A. Dana Hodgdon

A telephone conversation was held today concerning a statement made to the American Embassy at Colombia to the effect that Peru received 38 dive bombers recently.

Mr. Jarvis checked up on this matter and ascertained the following:

In 1942 Peru was assigned 18 new P–36's. In 1943 Peru was assigned 12 used P–36's and 13 A–33's (bombers). In 1944 25 PT–19's (trainers) were assigned. On about March 22 both the War and State Departments objected to the assignment of 12 A–25's (bombers). It also appears that 12 A–34's (bombers) were disapproved in February, 1944.

Mr. Jarvis said that we were first represented on the Munitions Assignments Committee (Air) on June 29, 1943. He added that it was probable that in 1943 when the bombers were assigned, they were assigned for anti-submarine defense.

I informed Mr. Gray of the above and it checked with his records.

823.24/1229

The Secretary of State to the Appointed Peruvian Ambassador (Beltrán) [15]

WASHINGTON, July 8, 1944.

EXCELLENCY: I have the honor to refer to the Department's Note of December 16, 1942 [16] concerning the presentation of schedules and accounts of deliveries of, and payment for, defense articles made available to the Peruvian Government under the terms of the Lend-Lease Agreement signed on March 11, 1942 between the United States of America and the Government of Peru.

In this connection there are enclosed two copies of a statement prepared by the Foreign Economic Administration [16] listing the materials and equipment transferred to the Government of Peru up to the date of April 30, 1944. It is noted that the total amount of the items listed is $8,667,247.68. In addition to the copies of the state-

[13] Archibald E. Gray, Division of North and West Coast Affairs.
[14] Francis G. Jarvis, Divisional Assistant, Aviation Division.
[15] Pedro Beltrán presented his credentials as Ambassador on July 12, 1944.
[16] Not printed.

ment mentioned, there are enclosed two copies of detailed schedules and lists of supplies and equipment [17] arranged under the headings of the respective divisions of the agencies through which the materials were obtained.

The Department will submit at a later date a supplementary statement which will include such additional items as may be delivered to the Government of Peru subsequent to April 30, 1944 and which do not appear in the enclosed statement.

I should be pleased if Your Excellency would be so kind as to transmit copies of the enclosed statements, schedules and accounts to the appropriate officials of the Peruvian Government to the end that steps could be taken to effect payment to this Government in the manner prescribed in Article II of the March 11, 1942 Agreement.

It would be appreciated if payment could now be made in the amount of $3,585,000 which represents the appropriate percentage of the scheduled cost of the materials which were delivered by April 30, 1944. Payment should be in the form of a check drawn to the order of the Treasurer of the United States of America, which could be sent to this Department for appropriate disposition.

For reasons of military security, I trust that the statements, schedules and accounts which are enclosed herewith will be treated by Your Excellency's Government on a most confidential basis.

Accept [etc.] For the Secretary of State:
EDWARD R. STETTINIUS, JR.

823.24/7–1844

The Ambassador in Peru (White) to the Secretary of State

No. 880 LIMA, July 18, 1944.
[Received July 25.]

SIR: Referring to the Department's confidential instruction No. 3386 of July 8, 1944, enclosing copies of notes dated December 16, 1942 and July 8, 1944,[18] the latter requesting payment by Peru of $3,585,000 on the Peruvian Government's $8,667,247.68 debt to the United States, I have the honor to recall that during the recent dollar debt discussions [19] Finance Minister East emphasized the preferential place of lend-lease settlements as compared with the dollar debt, as given in despatch No. 143, dated April 24, 1944.[17]

I do not know whether the presentation of the above-mentioned bill to the Peruvian Embassy in Washington had any connection with this

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[17] Not printed.
[18] Instruction No. 3386 of July 8, 1944, and enclosed note of December 16, 1942, not printed; note of July 8 printed *supra*.
[19] For correspondence on these discussions, see pp. 1568 ff.

attitude of the Peruvian Government, but in any case it seems that the coincidence is a very fortunate one and should tend to emphasize that our government is collection-minded.

Respectfully yours, J. C. WHITE

823.248/7–2544

Memorandum of Conversation, by the Assistant Chief, Division of West Coast Affairs (Lyon)

[WASHINGTON,] July 25, 1944.

In discussing other matters with Admiral Spears[21] today we touched upon the question of twelve light bombers for Peru and the Department's feeling that these planes should not be made available. I pointed out the Department's views in some detail, stating that we were chiefly concerned with the effect it would have in the other countries, which would immediately demand additional equipment.

Admiral Spears said, "What of it? We are at war and if this material is necessary it should be supplied." He indicated that he felt very strongly that these light bombers should be furnished to Peru, stating that it was on the understanding that they would be that we withdrew our own forces from Talara. He said that the Peruvian aircraft had done a splendid job in patrol work but was all worn out and that it was not a question of furnishing new bombers but merely replacing worn out equipment.

When I asked Admiral Spears whether he seriously thought there was a real threat of an attack by Japan, he insisted that there was, saying that no matter how slight this threat was, we should do everything to protect Talara. He indicated that he felt it was quite possible for a Japanese submarine to reach the Peruvian coast, and what is more, that it might be possible for German submarines again to operate in the lower Atlantic and work their way up the Peruvian coast and sink some of the Grace Line or U.S. boats bearing cargo from Chile, such as copper or other war necessities.

Admiral Spears said that one of the reasons we were doing all possible to build up our air forces in Uruguay at the mouth of the Rio Plata was because of the real possibility that a German submarine bearing Hitler and some of his officials might appear there bound for Buenos Aires. By the same token Admiral Spears stated he felt it quite possible that German submarines might make raids on the Peruvian coast. In any event, it was a risk we could not run.

He also referred to the necessity of supplying this material to help out our air mission and when I asked him if that was not the primary

[21] Rear Adm. W. O. Spears, Senior Member, Joint Army and Navy Advisory Board on American Republics.

purpose, he said no, it was the secondary. He indicated that he would fight hard to get these planes for Peru and considered that our attitude was inconsistent with our recent agreement in regard to Lend-Lease policy with the War and Navy Departments.[22] He felt that we were interfering in matters without our sphere.

C[ECIL] B. L[YON]

823.248/7–3144

Memorandum by Mr. Joseph E. Johnson, Division of American Republics Analysis and Liaison, of a Meeting of the Joint Advisory Board on American Republics

[WASHINGTON,] July 31, 1944.

Participants: Joint Advisory Board on American Republics, Rear Admiral W. O. Spears, Senior Member; Mr. J. F. McGurk, ARA; [23] Mr. Joseph E. Johnson, RL (guests).

After the reading of the minutes of the previous meeting, Mr. Johnson requested that they be amended to indicate that he had been present as a guest and it was so ordered.

Admiral Spears opened the discussion by stating that the Joint Advisory Board had been directed by the Joint Munitions Allocation Committee (JMAC) to reconsider its recommendation that twelve SBD [24] dive bombers be assigned to Perú; this was to be done in the light of Mr. Berle's [25] remarks before the JMAC, and a recommendation was to be submitted by August 1.

Admiral Spears asked for a statement from the Department's representatives and at Mr. McGurk's request Mr. Johnson, stating that he was now expressing the views held by the Department, repeated the substance of the arguments he had expressed as his personal views at the previous meeting. They were in substance that the Department opposed the allocation of these aircraft for political reasons, primarily for the probable effect on Colombia and especially on current negotiations with Ecuador. He also stated that it is the Department's opinion that, in view of the present military situation it is inadvisable to assign further combat aircraft to other American republics (except Brazil and Mexico). Mr. McGurk concurred in this and suggested that the assignment of combat aircraft to other American republics be deferred until after the forthcoming staff conversations [26] so that this question could be considered from the overall viewpoint of needs for hemisphere defense and not on a piecemeal basis.

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[22] For text of a joint statement on a new lend-lease policy, see p. 97.
[23] Acting Director, Office of American Republic Affairs.
[24] The scout bomber "Dauntless", produced by Douglas Aircraft Company.
[25] Adolf A. Berle, Jr., Assistant Secretary of State.
[26] For correspondence on the initiation of staff conversations, see pp. 105 ff.

Admiral Spears, who throughout took the lead in presenting a case for the assignment of the planes, was not sympathetic to this proposal. He at once launched into a history of the case, emphasizing throughout the fact that the planes are needed to patrol the Peruvian coast for the defense of shipping and shore installations against possible sneak attacks. He also spoke of US commitments to cooperate with Perú in the defense of her shores,[28] citing the secret defense agreement of June, 1942, and referring to an understanding reached last fall when US Army planes were withdrawn from Talara that the United States would furnish Perú the planes for patrolling the coast. He stated that the question really was whether defense considerations advanced by the Navy outweigh political considerations which the State Department emphasizes. Everybody agreed with this last point.

Mr. McGurk's request that the Joint Advisory Board postpone action on this case was rejected on the ground that the Board wished to settle this matter as far as it was concerned once and for all. The Board accordingly agreed to recommend to the JMAC that the training planes previously approved be assigned at once to Perú, and that the twelve dive bombers be approved for assignment, but that the JMAC not refer them to the Munitions Assignment Board until October. In recommending this delay the Board took the position that it would give the State Department time to complete present negotiations with Ecuador over the Galápagos [29] or at least to learn whether they were likely to be successful. It was understood to be of importance that no word should reach the Peruvians respecting the allocation of these planes until the Munitions Assignment Board has acted.

Admiral Spears adverted at one point to Mr. Berle's remark before the JMAC that the State Department considered the political aspects of allocations to the other American republics of fundamental importance, especially as the statement approved by the Joint Chiefs of Staff spoke of "any large threat" to the security of the Western Hemisphere having been "largely removed".[30] Admiral Spears stated in this connection quite categorically that this statement gives the Army and Navy the power to decide problems involving Lend-Lease allocations to the other American republics, the only place the State Department comes in being in connection with assignments of munitions of war for cash to countries other than Brazil and Mexico.

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[28] 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), p. 203.

[29] For correspondence on negotiations to extend United States use of the site, see pp. 1052 ff.

[30] See undated instructions on staff conversations, p. 106.

823.248/8–744 : Telegram

The Acting Secretary of State to the Ambassador in Peru (White)

WASHINGTON, August 7, 1944—7 p. m.

833. Rear Admiral Spears, backed by Colonel Rogers, chief of the Naval Air Mission who is now in Washington, is strongly supporting here a request from Perú for twelve SBD dive bombers. The Department, which for policy reasons opposes the assignment of any further combat aircraft to other American republics except Brazil and Mexico, and is particularly concerned as to the effect in Ecuador and Colombia of assigning such aircraft to Perú, believes these planes should not be allocated.

Spears contends that failure to assign these aircraft would have adverse effect on our relations with Perú and specifically on the work of the Naval Air Mission. He also maintains that this Government is virtually committed to the assignment, and in this connection cites the joint defense agreement of 1942 and especially an understanding he says was reached last fall when it was decided to withdraw U.S. planes from Talara, that the U.S. would furnish the Peruvian air force with the equipment necessary to carry on patrol work.

Please telegraph to Department only, without consulting the Naval Air Mission or your Military and Naval Attachés, whether to your knowledge and in your view this Government is committed to allocate these planes and what effect failure to allocate them would have on your relations with Perú.

STETTINIUS

823.248/8–944 : Telegram

The Ambassador in Peru (White) to the Secretary of State

LIMA, August 9, 1944—9 a. m.
[Received 11 : 12 p. m.]

1010. Re Department's secret telegram 833 of August 7, 7 p. m. Since deciphering of my 1009 of August 8, 8 p. m. was impossible I am transmitting reworded text herewith:

"The Embassy is unaware of any commitment to allocate the 12 dive bombers recommended for delivery to Peru by Admiral Spears and Colonel Rogers. They may form part of an extensive list of items desired by General Melgar and submitted to Admiral Spears in October 1943 during his Lima visit, but in so far as Embassy approval was given to Melgar's request either by Admiral Spears or Colonel Rogers it is not believed that failure to allocate these planes will have any notably adverse effect on Peruvian-United States relationships. Perusal of Embassy despatch 8195, October 17 [*27*], 1943,[31] setting forth at length conversations held with Admiral Spears should

[31] Not printed; it indicated that Admiral Spears had received a secret request for numerous defense items from the Minister of Aeronautics (823.24/1020).

be pertinent. Embassy also shares concern about effect in Ecuador, Colombia, and Chile."

WHITE

823.248/10–1044

Memorandum by the Acting Director, Office of American Republic Affairs (Armour), to the Secretary of State

[WASHINGTON,] October 10, 1944.

THE SECRETARY: The Munitions Assignment Committee, Air, has taken favorable action on the Peruvian request for 12 dive bombers but has not yet transmitted the case to the Munitions Assignment Board for final action. The decision in this case was made in full knowledge of this Department's determined opposition.

The Peruvian officials interested are well aware of the fact that this Department is opposed to the allocation question. Our attitude on the matter is no secret to them. In the event of ultimate rejection, it will be attributed to us.

The matter is of such importance, however, that I am still of the opinion that we should take the necessary steps, under the authority granted by the President, to have the allocation either set aside completely or maintained indefinitely in the "pending" file.[32] Your authority for such a step is to be found in the attached brief memorandum [33] from Admiral Brown, Naval Aide to the President.

NORMAN ARMOUR

823.24/10–1044

The Secretary of State to the Ambassador in Peru (White)

No. 3688 WASHINGTON, November 23, 1944.

SIR: There is enclosed [34] for the confidential information and files of the Embassy a copy of the Department's note of even date sent to the Peruvian Embassy in Washington, together with Statement LL–2 prepared by the Foreign Economic Administration showing charges made during the period from May 1 through August 31, 1944 covering articles transferred to the Government of Peru under the Lend-Lease Agreement.

It will be noted that the total charges made through August 31, 1944 for all lend-lease articles transferred to the Government of Peru aggregate the grand total of $10,195,342.17. To date no payment on

[32] The Department of Defense has supplied information to the effect that the official records of the Munitions Assignments Committee (Air) and the Munitions Assignments Board, Washington, contain no indication that either agency considered the Peruvian request for 12 dive bombers at any time during 1944 subsequent to July 26.

[33] Not printed.

[34] Enclosures not printed.

account has been received from the Government of Peru, nor has the Department received any information as to when a payment on account may be expected. Furthermore, it will be noted from the enclosed note that under the terms of the Agreement the total amount of payment on account due from the Government of Peru as of March 1, 1944 is $4,000,000. This amount includes the sum of $3,585,000. which was requested in this Department's note of July 8, 1944.

The Department has noted with interest the statement by the Finance Minister that Peru had the money to meet its payments on account for lend-lease material (Embassy's confidential despatch no. 880 dated July 18, 1944 and secret despatch no. 1663 dated October 10, 1944 [35]), but that the matter had been referred back to the Embassy in Washington for "harmonization" because of slight differences in the accounts. However, no request has been received from the Peruvian Embassy concerning this matter. Such request, if received, will be given consideration by the appropriate agencies of this Government.

In the interim, however, and subject to such adjustment in the statement of account as may be requested, you are requested to approach discreetly the appropriate Peruvian officials concerning the payment due on account. Such officials should be informed that this Government would appreciate it if such payment in the amount of $4,000,000 due under the terms of the Agreement could be made in the form of a check payable to the order of the "Treasurer of the United States, For the Account of the Foreign Economic Administration".

Very truly yours, For the Secretary of State:
DEAN ACHESON

823.24/11–2944

The Ambassador in Peru (White) to the Secretary of State

No. 2056 LIMA, November 29, 1944.
[Received December 11.]

SIR: I have the honor to submit the following preliminary reply to the Department's Secret Instruction No. 3688 of November 23, 1944, requesting that the Peruvian officials be approached discreetly concerning the payment of the $4,000,000 due under the terms of the Lend-Lease agreement.

It having been decided that the best initial course of action would be to approach the Finance Minister informally, the full details of the Department's communication were made known to Mr. East, who reiterated his previous statement as mentioned in paragraph 3 of the instruction that Peru has the money. He said he must emphasize, however, that these funds are available in Peruvian soles; that the only real difficulty is that of obtaining the necessary dollar exchange.

[35] Latter not printed.

In this connection, he mentioned the analagous difficulty arising in the case of the delinquent dollar debt. He stated that about $15,000,000 now are available in foreign exchange, and that he would hesitate to recommend to the government that it draw a draft for $4,000,000 at this particular period because it could easily produce undesirable political and economic consequences. He thought it would be best to consider some plan for gradual payment.

All of this, he said, represented his own personal preliminary impressions, but that he would bring up the subject in the meeting of the Council of Ministers tomorrow and make such suggestions as correspond to him as Finance Minister. He observed he had never been anything more than a spectator in the Lend-Lease agreements, since all of them had been arranged by the Junta de Defensa Nacional and the Minister of Foreign Relations. His intervention as Finance Minister consists only of advising the corresponding officials regarding the availability of funds. Mr. East at first requested that none of this information be communicated to Washington for the time being but later acquiesced in the suggestion that the officers in Washington would be as interested in his preliminary impressions as anyone else.

The Minister then advised that this matter be taken up directly with Foreign Minister Solf, either in writing or orally as might be deemed best. He explained that such was the proper course of action in this case because the Minister of Finance and Commerce has not been charged with supervision of Lend-Lease procurements. He thought that both the Minister of Foreign Relations and the Junta de Defensa Nacional would feel that the Embassy had desired to go around behind them or that he had delved into the affairs of other departments if he should take the lead in this affair. However, he considered this informal exchange of views to be in order and stated that he would inform the Council of the conversation. Being familiar with the budgetary situation and the foreign exchange reserve fund, it would be necessary, he said, to advise against writing a check for $4,000,000 in the present circumstances. He again qualified by stating that this was his personal opinion at the moment and that the deliberations of those directly authorized to deal with Lend-Lease affairs might result in some other decision. Mr. East said he had not yet seen or heard of the Department's note of November 23 [36] to Ambassador Beltrán in Washington, but presumed that it has been received in the Ministry of Foreign Relations.

A formal note has been written to the Foreign Minister enclosing a copy of the Department's note to Ambassador Beltrán, this pro-

[36] Not printed.

cedure appearing to be best adapted to getting the matter before the other interested ministers and the Cabinet Council.

Respectfully, J. C. WHITE

823.248/12–1244

The Ambassador in Peru (White) to the Secretary of State

No. 2158 LIMA, December 12, 1944.
[Received December 26.]

The Ambassador has the honor, with reference to the receipt by the Peruvian Air Corps of aviation equipment from the United States, to refer to the Embassy's confidential despatch No. 1777, of October 21, 1944,[37] and to transmit herewith an editorial [38] which appeared in *La Prensa* of December 8 entitled "Aviation Accidents."

In this editorial, which has appeared in a paper not known for its especial friendliness to the United States, at least in pre-war years, note has been taken of a series of fatal accidents in the Air Corps during recent months, of which two more occurred within the past week. This editorial hints that these successive accidents may be due to defects in material or to lack of organization.

Since virtually all the equipment now in use in the Peruvian Air Corps is of United States origin, and since the United States Naval Air Mission is functioning in Peru, it is gratifying to note that the press of the 10th instant carried an official communiqué issued by the Ministry of Aviation on the subject of these very air accidents. This communiqué reports that the Ministry, in conjunction with the United States Air Mission, has reported that the accidents have been due not to lack of organization or quality or condition of material, but rather to imprudence on the part of the fliers unfortunately fatally affected.

It is hoped that the text of this communiqué may serve to avert any adverse criticism of the United States Air Mission or equipment of American origin now employed in Peru. The text, with translation, of the above-mentioned official communiqué is enclosed herewith.[37]

823.24/12–1844

Memorandum of Conversation, by Mr. M. K. Wells, Division of North and West Coast Affairs

[WASHINGTON,] December 18, 1944.

I took advantage of Dr. Garland's [39] call on another matter to refer to the Peruvian Lend-Lease request for ammunition which was men-

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[37] Not printed.
[38] Not reprinted.
[39] Eduardo Garland, Peruvian Counselor of Embassy in Washington.

tioned by Ambassador Beltrán in conversation with Mr. Armour on November 20. (This request, covering estimated 1945 ammunition requirements for the Peruvian army, was addressed to the War Department by Colonel Tamayo, Chief of the Peruvian Military Commission, under date of November 16.)

I told Dr. Garland that the Department had learned informally that it would not be possible to allocate this ammunition to Peru at the present time due to the serious shortage of ammunition on the European front; that I was sure he was aware of this latter fact from newspaper accounts; and that he would understand the Department is hardly in a position to support the request at this time because of these well known circumstances.

Dr. Garland indicated that he fully appreciated the situation and realized that rejection of the Peruvian request did not carry any political significance, but was based upon real shortage on the fighting fronts. He remarked that as a matter of fact, Ambassador Beltrán, in agreeing to Colonel Tamayo's request that he bring the matter to the Department's attention, had expressed the opinion that favorable consideration would not be possible because of the very situation which I had mentioned.

NEGOTIATIONS ON THE CONTINUATION BY THE UNITED STATES OF THE PROGRAM TO PROCURE STRATEGIC MATERIALS FROM PERU [40]

811.20 Defense (M) Peru/1107

Joint Memorandum by Economic Officers of the Embassy and of the Foreign Economic Administration in Peru to the Department of State, the Foreign Economic Administration, the United States Commercial Company, and Other Agencies [41]

[Extracts]

LIMA, March 14, 1944.

Reference is made to the letter dated March 6, 1944,[42] from the Peruvian Minister of Finance and Commerce, Julio L. East, to the Embassy concerning the desire on the part of the Peruvian Government to renew the Over-All Metals and Minerals Agreement [43] with the United States Commercial Company (Metals Reserve Company) which expires June 30, 1944.

. . . . . .

We incline to the opinion that if Washington desires to renegotiate the Over-All Metals and Minerals Agreement it may be timely to

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[40] For previous correspondence on procuring strategic materials from Peru, see *Foreign Relations*, 1943, vol. VI, p. 712, and pp. 735 ff.

[41] Transmitted to the Department in despatch 9232, March 15, 1944, from Lima; received March 28.

[42] Not printed.

[43] For correspondence on and terms of the agreement, see *Foreign Relations*, 1943, vol. VI, pp. 735 ff.

take advantage of our strong bargaining position to encourage arrangements for servicing and amortizing Perú's various financial obligations to the United States,[44] and to assure equal treatment for American firms in Perú in matters pertaining to taxation, settlement of wage disputes, and social legislation. In this connection reference is made to despatches No. 8983 of February 7, 1944, and No. 9116 of February 25, 1944,[45] concerning the labor difficulties of the Cerro de Pasco Copper Corporation at its Oroya smelter. Mention may also be made of the pressure being brought on the Goodyear Tire and Rubber Company in Perú to accept a discriminatory plan for dividing profits with the Peruvian Government. (A despatch on this subject is being prepared).

If there is no inclination to renew the Over-All Agreement the Peruvians may advance a number of arguments in favor of its renewal. They may point out the importance of the mining industry in Perú's economy and the possible unemployment that might result in the event of any appreciable curtailment of purchases by the United States. At the present time the United States is the principal market for Peruvian mineral products with the exception of substantial amounts of electrolytic lead, and minor amounts of electrolytic zinc, mercury, and some non-metallic minerals exported to other South American Republics. They may take the stand that we encouraged Peruvian producers to make capital investments to increase production and we should not let them down by refusing to take all their production. It may be pointed out to this that agencies of the United States Government have underwritten mine and plant expansions at a number of properties in Perú, including the Vanadium Corporation of America, Perú Molibdeno, S. A., Volcan Mines Company, Compañía Minera Santa Elena, Compañía Minera Eldorado, and several mica producers in the Camana district. While it is true that some of the smaller lead producing companies have added additional flotation equipment for the recovery of zinc minerals formerly discarded in the tailings, such expansions would have been undertaken in the normal course of events.

One of the possible advantages of the Over-All Agreement is that it gives us an opportunity to screen metal exports to Latin American countries thereby preventing shipments from falling into undesirable hands. It is believed that the navicert system bars shipments to Germany and Japan, and it may be pointed out that with the exception of mercury and a small tonnage of zinc concentrates virtually all the metals exported to Latin American countries are from the Cerro de Pasco Copper Corporation which has in the past cooperated in this respect without the Agreement.

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[44] For correspondence on the debt negotiations, see pp. 1568 ff.
[45] Neither printed.

Another advantage of the Agreement from our viewpoint is the inclusion of Clauses A and B of Article 3 whereby Perú agrees that increased taxes, fees, charges, or levies on exports or production shall not be of such nature as to interfere with the free flow of metals or minerals. This ceiling on taxes enables us to purchase mineral products at stabilized prices as long as the Agreement is operative.

If the Agreeement is to be renewed we are in accord that the contract should stipulate that the amounts of mineral products exported to other Latin American countries should be credited to the quotas contracted for by the United States Government.

We also concur in the belief that in any renegotiation of the Agreement problems of social nature should not be injected into the discussions by either Government.

JULIAN GREENUP [46]
ETHELBERT DOWDEN [47]
GEORGE HAMILTON [47]
WILLIAM O. VANDERBURG [48]

811.20 Defense (M) Peru/1110 : Telegram

The Ambassador in Peru (White) to the Secretary of State

LIMA, April 4, 1944—6 p. m.
[Received 8 : 37 p. m.]

461. Renewal rotenone price agreement [49] expiring May 10th leaves Embassy option of adhering to original agreement price or voluntarily extending higher price schedule as set forth in Department's telegram 305 March 24, 3 p. m.[50]

Global amount of difference would approximate $100,000 to private dealers.

The Embassy is disposed to use this and similar future opportunities as leverage for settling postal and other small debts considering that political cooperation would not suffer thereby.

Such a course to be effective would require consistent support of American Government.

Request instructions.

WHITE

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[46] Counselor for Economic Affairs in the Embassy.
[47] Representative of the Foreign Economic Administration in Peru.
[48] Foreign Service Officer in charge of arranging for mining equipment requirements of the Andean countries.
[49] An agreement made in 1942 regarding the production and export of rotenone root and powdered rotenone; not printed.
[50] Not printed.

811.20 Defense (M) Peru/1116

The Ambassador in Peru (White) to the Secretary of State

No. 27 LIMA, April 5, 1944.
[Received April 18.]

SIR: I have the honor to inform the Department that Dr. Alan M. Bateman, Assistant Director, Foreign Procurement and Development Branch of the Foreign Economic Administration, who visited Lima from March 26 to 29 for the purpose of discussing current mining problems, was very advantageously occupied in conferences with the local representatives of the Foreign Economic Administration, the Embassy officers, leading miners, the Finance Minister, the Minister of Fomento, ex-Finance Minister David Dasso, the General Secretary of the Ministry of Foreign Relations, the President and Manager of the Banco Minero, and representatives of mining organizations.

Dr. Bateman arrived shortly after the Finance Minister and the leading mining interests had brought up the question of renewing the Overall Metals and Minerals Agreement, as reported in despatch No. 9232 of March 15, 1944.[51] The Peruvians of course were thinking in terms of higher volume and prices and were speaking of reports of unknown origin to the effect that the American Government is disposed to pay more providing the increase be devoted to upping the income of the laborers. The improved supply situation and the inconvenience to the United States of increasing and extending its war burden beyond practical limits had not received much attention, no doubt owing to their faith in our magnanimity.

The Doctor tactfully presented a logical, business-like, authoritative view of the minerals and metals situation and emphasized the interests of the United States as well as those of Peru. He told of fully adequate stock piles and an ample supply outlook in certain instances; of continued shortages in others; of declining world market prices here, firm quotations there; of the policy of the United States to render all possible assistance in cushioning the economic repercussions likely to set in soon, but also of the obligation of every friendly nation to shoulder a fair share of the load. Any revision of the agreement would of necessity have to contain flexible clauses as pertains to duration, volume, scope, and prices.

The conferees included the range of local financial thought, from Finance Minister East's ingenious ideas to keep Peruvian remittances to the United States as low as possible to Mr. Pedro Beltrán's [52] for stimulating the most copious flow in the other direction. In a meet-

[51] Not printed.

[52] Peruvian diplomat, who represented his country on the Inter-American Financial and Economic Advisory Committee; appointed Ambassador to the United States on June 28, 1944.

ing with the miners, Dr. Bateman had made it known there is little or no possibility of increased prices by the United States for the purpose of improving Peruvian wages. Deputy Manuel Llosa seriously inquired if some of the philanthropic agencies of the American Government could make up the difference.

The Peruvians always proceed on the theory there is no harm in asking the question; and if the answer is factual, logical, firm and friendly, they applaud with respect. Dr. Bateman's reception was one of the warmest accorded to visiting American officials in the recent past, even though he spoke of retrenchment.

Dr. Bateman's firm but pleasant handling of the various complex problems obviously impressed the two Ministers as well as the prominent officials in the mining industry, who were convinced of the reasonableness of his presentation of the less attractive current market trend and future probabilities for most minerals and metals.

The Embassy wishes to commend Dr. Bateman for valuable assistance in a type of work which will be increasingly important as the tapering-off period advances.

Respectfully yours, For the Ambassador:
JULIAN GREENUP
Counselor for Economic Affairs

811.20 Defense (M) Peru/1110 : Telegram

The Secretary of State to the Ambassador in Peru (White)

WASHINGTON, April 6, 1944—7 p. m.

361. Your 461, April 4. The Department does not believe it would be desirable to use the new rotenone proposal to bargain for debt settlements.

Further, since the proposed prices for rotenone are thought to be necessary to obtain badly needed supplies, the new offer contained in the Department's 305, March 24 and 341, April 1,[55] should be made rather promptly.

HULL

811.20 Defense (M) Peru/1124

The Ambassador in Peru (White) to the Secretary of State

No. 252 LIMA, May 8, 1944.
[Received May 16.]

SIR: In forwarding herewith despatch No. 239 of May 5, 1944,[56] regarding Finance Minister East's reiterated request that prompt

[55] Neither printed.
[56] Not printed.

attention be given to the question of renewing the Overall Metals and Minerals agreement, I have the honor again to express my feeling that, in extending the existing or concluding new agreements which provide economic advantages of great importance to Peru, I should not fail to associate them with the various obligations of this country to the United States, in order that the Department have available all useful considerations.

In view of the Department's telegram No. 361 dated April 6, 1944, pertaining to the undesirability of using the amendment to the rotenone agreement as a negotiating instrument, I shall withhold further recommendations pending receipt and examination by the Department of despatches Nos. 87, 143, 185 and 240, dated April 17, April 24, April 27 and May 5 [57] respectively, covering the current dollar debt negotiations, which contain ample evidence the Peruvians continue, as in past years, to keep straight business and the good neighbor policy in entirely separate compartments, not associating one with the other.

This point, brought out vividly in despatch No. 240 dated May 5, 1944, referred to above, again was given practical application in connection with the amendment to the rotenone agreement which was signed on May 6. It had been our plan to inform the Peruvians that a voluntary price increase had been offered for another year to Brazil and other nations which had reciprocated, and that authorization had been received to extend the same advantages to Peru providing mutual advantages could be agreed upon. As it worked out, we found ourselves "negotiating" with the Peruvians to cause them to look with favor upon and accept our voluntary offer to pay them about $100,000 more than the prices they had agreed to sell for, which in turn were roughly double the prices they received in open competition before the war, and which were sufficient to cause rapid expansion in the rotenone industry. The Peruvians always proceed rationally on the theory there is no harm in asking the question. If the answer is in the affirmative they are gratified and feel no counterbalancing obligation has been incurred. If in the negative, nothing has been lost. If conditional, they are willing to negotiate in a perfectly friendly although business-like and unsentimental manner.

Respectfully yours, J. C. WHITE

[57] For texts of despatches 143 and 185, see pp. 1573 and 1574, respectively; despatches 87 and 240 not printed.

103.9169 Lima : Telegram

The Secretary of State to the Ambassador in Peru (White)

WASHINGTON, May 16, 1944—8 p. m.

517. From FEA,[58] for Libbey.[59] Detailed proposals regarding Peruvian Overall Agreement follow in few days by letter. However, general terms we propose are as follows:

1. Extension without specific termination date but cancellable on three months' notice.
2. USCC [60] entitled to change quantities to be purchased or prices to be paid for copper, lead and zinc on three months' notice.
3. Mercury, tungsten, molybdenum, antimony to be dropped from agreement.

We invite your comments following receipt of details in our letter. [FEA.]

HULL

103.9169 Lima : Telegram

The Ambassador in Peru (White) to the Secretary of State

LIMA, July 7, 1944—6 p. m.
[Received 11 : 43 p. m.]

896. For Bateman and Evans,[61] FEA, from Libbey. Discussed with Minister of Finance July 6 revised draft Overall Metals and Minerals Agreement which incorporated modifications in accordance telephone conversation Evans July 4 and your letter W–Peru 2205 June 29 [62] with following results:

1. Inclusive reference transfer obligations rights privileges MRC [63] to USCC extant.
2. Import duties clause acceptable with minor modification.
3. Six months' cancellation clause acceptable and although substantial objections clause permitting our changing prices and quantities three months' notice believe also acceptable.
4. Desire detailed clarification basis sliding scale or customary variations price lead ores and concentrates.
5. Desire continuance purchase of 50% content zinc or more on f.o.b. Peru basis.
6. Our refusal include silver and molybdenum in agreement believe disposed of satisfactorily.
7. Refusal provide for continued purchase antimony and tungsten terminated further negotiations in view of Minister's insistence that

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[58] Foreign Economic Administration.
[59] Warren G. Libbey, Foreign Economic Administration representative in Lima.
[60] United States Commercial Company.
[61] John W. Evans, Minerals Expert of the Foreign Economic Administration.
[62] Not found in Department files.
[63] Metals Reserve Company.

resolutions adopted at Rio de Janeiro Conference [64] made it mandatory upon United States to maintain agreed principles of cooperative mobilization resources for defense and economic warfare of hemisphere. Minister is therefore instructing Peruvian Embassy to intercede immediately for negotiations of agreement directly with proper Washington authorities.

Our letter and Embassy despatch follow. [Libbey.]

WHITE

811.20 Def (M) Peru/7–844

The Ambassador in Peru (White) to the Secretary of State

No. 794 LIMA, July 8, 1944.
[Received July 14.]

SIR: I have the honor to report on the points of more immediate interest to the Department in the conference of July 6 regarding the renewal of the Overall Metals and Minerals Agreement. The participants were Finance Minister East, mine operator (and former Minister of Fomento) Hector Boza, the Minister's secretary, Dr. Tello, Messrs. Libbey and Dowden of FEA, and the undersigned.

The Minister invoked the Embassy's assistance in impressing on the authorities in Washington the adverse political consequences of unemployment to result from diminished purchasing by the United States. He asserted that the proposals made benefit the American mining enterprises and ignore the strictly Peruvian-owned part of the industry; and declared he would cable Ambassador Beltrán the same afternoon and request him to bring before the Monetary and Financial Conference [65] the question of the "moral obligation" of the United States to continue mobilizing Peru's economic resources, "as agreed upon during the 1942 conference in Rio de Janeiro".

With reference to the first consideration (political consequences), he was assured that the Embassy as usual would convey his request for such consideration as might be deemed appropriate. We had indicated the production affected by the omission from the proposed agreement of tungsten, antimony, molybdenum, and silver concentrates would amount to only a small percentage. Dr. Tello estimated that the total so concerned amounts to about S/8,000,000—"a small sum for the United States, but great for Peru". Mr. Boza volunteered that the affected quantity is small, but that many laborers would be thrown out of work. Boza did admit the omission of silver concentrates is unimportant. All of our ideas pertaining to the advanced stage of

[64] See recommendations 1, 9, and 16 approved at the Third Meeting of the Ministers of Foreign Affairs of the American Republics, Rio de Janeiro, January 15–28, 1942, Department of State *Bulletin*, February 7, 1942, pp. 118, 126, and 127, respectively.

[65] For correspondence on the Conference held at Bretton Woods, New Hampshire, July 1944, see vol. II, pp. 106 ff.

the war, our past assistance to Peru, the impossibility for the United States to absorb the entire output of the hemisphere, the parallel curtailment in the United States, and the obligation of all partners to assume a portion of the load were met by Mr. East with reference to our undertaking during the Rio conference.

For the purpose of this despatch there is no need to describe the relatively insignificant place of tungsten, molybdenum, antimony, etc., in the Peruvian mining industry. This fact and the other considerations mentioned herein are well known to all concerned. There will be no adverse political repercussions in Peru as the result of omitting those minerals. If Mr. East and his colleagues explain the facts to the small number of interested producers, the question will be settled without any difficulty whatsoever. But being excellent traders, they apparently will not desist until the decision of the highest executive officers is made known to the Peruvian Ambassador in Washington.

In discussing the statement that the proposals "benefit the American mining enterprises", Mr. East was not disposed to admit that Peruvians profit to any appreciable extent through sales to the regular brokers in the United States or to Cerro de Pasco, which have been the normal channels. But he knows well that the so-called American interests are at the same time among the greatest of Peruvian interests. Again in this case the details are omitted because they are publicly known. It seems that he may have introduced this point as a mild threat for bargaining purposes, possibly also to bolster the Ministry's project for inordinately raising taxes on Cerro de Pasco. No doubt we shall soon hear that such action is imperative in view of the diminished revenue represented by the prospective tapering off in income from tungsten, antimony, etc.

The officers in the Embassy, of course, are not in possession of full information pertaining to future policy and the world-wide supply situation, and hestitate to comment extensively on the major point—assurance of a secure market for an indefinite period, under the Rio agreements. However, a few observations are made for such value as they may be found to contain regarding Mr. East's attitude toward the omission from the preamble of the proposed renewed Overall Agreement of the phrase, "with the special object . . .[66] defense of the hemisphere", but continuing with the inclusion of "to the utmost possible degree in the mobilization of their economic resources".

It is not likely that any of the United States officers in Washington or Lima would have foreseen any such interpretation of the preamble, since it is assumed everyone had understood the object was to win the war, and that it was not intended to underwrite the economic future of the hemisphere. However, Mr. East and presumably his colleagues

[66] Omission indicated in the original despatch.

Dasso, Beltrán, Tudela,[67] et al., seem to incline toward such an interpretation. Mr. East, in fact, stated the Rio Resolutions establish a moral obligation on the part of the United States to comply with its agreement to do so; and it is convenient to mention that the same thought is brought out in the so-called Peruvian thesis referred to in despatch No. 732 of July 3, 1944,[68] describing "Stabilem".[69] He was not disposed to discuss our explanation that at least certain of the Rio Resolutions were adopted for the purpose of winning the war and were not necessarily meant to continue indefinitely in a way that would obligate the United States to guarantee Peru's complete economic security throughout an indefinite future period. This point was considered so strong by Mr. East that he declared, as mentioned, that he would instruct Ambassador Beltrán to carry the question to the Latin American delegates to the Monetary and Financial Conference now in session. I suggested that it might be a good idea; that although the topic might be somewhat extraneous it could nevertheless be discussed advantageously while so many of the higher policy-forming officers are together in one place. The same argument is susceptible to application by Mr. East and those of the same school of thought to the other agreements with the American republics—covering cotton, flax, rubber, rotenone, quinine, etc.

Additional details of more technical nature are available in the Embassy's telegram No. 896 of July 7, 6 p. m., for Bateman and Evans FEA from Libbey, and in Mr. Libbey's letter of July 8, 1944[70] to Mr. Paul H. Nitze.[71]

Respectfully yours, For the Ambassador:
JULIAN GREENUP
Counselor for Economic Affairs

103.9169 Lima : Telegram

The Secretary of State to the Ambassador in Peru (White)

[Extract]

WASHINGTON, July 10, 1944—11 a. m.

722. From Crowley[72] and Nitze, FEA, for Libbey. Your Letter F–Peru 1654, June 16,[73] on Peruvian Overall Agreement.

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[67] Francisco Tudela, head of the Commission on Foreign Economic Policy of the Ministry for Foreign Affairs.
[68] Not printed.
[69] Name given to an economic proposition advanced by Alfredo Alvarez Calderón that an international organization cooperate with the International Monetary Fund to underwrite the marketing of useful raw materials and to perform related economic functions of a wide variety.
[70] Latter not printed.
[71] Director, Foreign Procurement and Development Branch, Foreign Economic Administration.
[72] Leo T. Crowley, Foreign Economic Administrator.
[73] Not found in Department files.

1. As stated in our latest letter we consider it absolutely essential in any event to obtain for us the right to change price or quantity of any item on three months' notice. In view of this we agree to six months' notice for cancellation of complete agreement.

2. In view of protection obtained in three months' notice provision you may waive clause calling for reduction of our purchase obligation on agreement materials by the amounts exported to other countries, but you should insist on this provision in regard to exports to other consignees in the United States. This is necessary if we are to facilitate resumption of private trade.

3. Public purchase of silver ores and concentrates is impossible under established policy of this government. For your own information no purchase directive exists and WPB [74] unwilling to issue one. Silver cannot be included in overall agreement but we will continue buying recoverable silver contained in agreement materials.

4. Present supply position prevents the inclusion of antimony in agreement. We included it in last renewal to give Peruvians advance opportunity to liquidate uneconomical producers. We believe this was well understood and that Peruvian government should not ask continued support of producers who cannot compete in private markets. It is expected that economical producers will find private buyers.

Similar remarks apply to tungsten except that we are making limited individual contracts at our new price schedule. We are required by supply situation (and, for your own information, by agreement with WPB) to reduce total public purchases. Peruvian producers are receiving same consideration as producers of other countries. The provision in our new tungsten contracts regarding fines, to which Mr. East objected in his memorandum 3, has been liberalized. Dowden is bringing the new terms to Peru. We believe they will remove part of the objection to the new price schedule.

There is no need for inclusion of molybdenum. The Peru Molybdeno contract runs until November 1, 1945 but must continue to be subject to price change or cancellation on 60-day notice.

Mercury cannot be included. All public purchase of mercury has ceased with the exception of outstanding obligations in Mexico and one Canadian contract, and notice has been given of cessation of Mexican purchases on August 31. The Canadian contract will soon be terminated.

. . . . . .

[Crowley and Nitze]
HULL

[74] War Production Board.

103.9169/8–2844

Agreement Between Peru and the United States Concerning the Purchase and Export of Metals and Minerals From Peru to the United States

PREAMBLE

Pursuant to Resolution II, the Third Meeting of the Ministers of Foreign Affairs of the American Republics at Rio de Janeiro,[75] the Governments of the Republic of Peru and the United States of America undertook, in common with the governments of the other American republics, to cooperate with each other to the utmost possible degree in the mobilization of their economic resources. Reaffirming these principles and prompted by the mutual friendship and esteem of the peoples of the Republic of Peru and the United States of America, the Government of the Republic of Peru and U. S. Commercial Company (to which agency all obligations, rights and privileges of Metals Reserve Company have been duly transferred), an official agency of the Government of the United States of America, now agree that effective July 1, 1944, and thereafter until this Agreement is terminated:

AGREEMENT

1. U. S. Commercial Company shall purchase the metals and minerals of Peruvian origin listed in Exhibit "A" [76] hereof, at the minimum prices and terms therein specified, which may be offered to it from such sources as it selects provided that it shall not be obligated to make any purchases from producers or suppliers who are on the Proclaimed List of Blocked Nationals of either the Government of the Republic of Peru or the Government of the United States. The maximum quantity of any metal or mineral that U. S. Commercial Company is obligated to purchase hereunder shall not exceed one hundred and twenty-five per cent of 1942 exports of such metal or mineral produced in Peru, with the exception of tungsten; provided, however, that U. S. Commercial Company shall have the option to accept under the terms of this Agreement any amount in excess of such maximum quantities as may be available for export from Peru.

2. Pursuant to the orientation of the international policy it has adopted, the Government of the Republic of Peru will continue to

[75] Section II of the Conclusions of the Meeting consists of 11 recommendations and one resolution. The reference here appears to apply to the recommendations. For text, see Department of State *Bulletin*, February 7, 1942, pp. 118–119.

[76] Not printed; the metals listed were copper, lead, zinc sulphide, and tungsten ores and concentrates, electrolytic zinc, and recoverable gold and silver in copper and lead ores.

limit the exportation of all strategic metals and minerals to (1) the United States, (2) the British Empire, and (3) the other American republics which have systems of export control acceptable to the Governments of the Republic of Peru and of the United States. In no event shall exports be made to persons who are on the Proclaimed List of Blocked Nationals of either Government. The Government of the Republic of Peru shall use its best efforts to expedite the deliveries to the United States of metals and minerals purchased under this Agreement and will permit deliveries of these materials to other American republics only after consultation and agreement between the appropriate representatives of the two governments of the Republic of Peru and of the United States; provided, however, that the obligations of U. S. Commercial Company shall be correspondingly reduced by the amounts of the stipulated materials which are exported from Peru to other consignees in the United States.

3. (*a*) The Government of the Republic of Peru proposes to administer its tax policy in such a manner as to stimulate the production and free flow of strategic metals and minerals and agrees that any additional or increased taxes, fees, charges or levies which may be imposed during the term hereof with respect to such metals and minerals shall not be of such a nature as to interfere with the accomplishment of that purpose.

(*b*) If during the term of this Agreement the taxes, levies, fees or other charges imposed by the Peruvian Government on the production or export of strategic metals and minerals should be changed against the conditions of clause 3(*a*) the Agreement shall not continue in effect unless the Governments of Peru and the United States shall agree to its continuation.

4. This Agreement will continue in effect until terminated by mutual agreement, provided, however, that at any time on or after July 1, 1944, notice may be given by the Government of the Republic of Peru or by U. S. Commercial Company of intention to cancel this Agreement, such cancellation to become effective six months after such notice.

5. At any time on or after July 1, 1944, notice may be given by U. S. Commercial Company of its intention to revise this Agreement with respect to the quantity or price of any metal or mineral covered by the Agreement, such revision to become effective three months after such notice.

6. For the purpose of this Agreement strategic metals and minerals shall be those listed in Exhibit "A" and such other metals and minerals

as are from time to time deemed by the Government of the United States to be essential to the war effort.

Dated at Lima, Peru, this twenty-fifth day of August, 1944.

U. S. Commercial Company
By JOHN CAMPBELL WHITE
Ambassador of the United States of America

Republic of Peru
By JULIO L. EAST
Minister of Finance and Commerce

U. S. Commercial Company
By WARREN G. LIBBEY
Special Representative

811.20 Defense (M) Peru/9–644

The Ambassador in Peru (White) to the Secretary of State

No. 1323 LIMA, September 6, 1944.
[Received September 18.]

SIR: I have the honor to transmit herewith [77] a copy and a translation of a letter dated August 28, 1944 from Mr. Julio L. East, Minister of Finance and Commerce, requesting the continuance of antimony purchases in Perú by the U. S. Commercial Company, despite the fact that no provision was made for the purchase of this metal in the Over-All Metals and Minerals Agreement formally executed August 25 and effective from July 1, 1944. Also attached are two memoranda dated March 5 and April 22, 1944, setting forth the views of the antimony producers on the cessation of purchases and the arguments in favor of their resumption, and a memorandum from Mr. Larson, of the Foreign Economic Administration, on the subject, prepared at my request.

When I was in Arequipa, I was approached by some representatives of mining concerns, who also urged their claims for the purchase of antimony. They gave me copies of two memoranda previously referred to which they had addressed to the Peruvian Government on the subject. As Mr. Larson was in Arequipa at the time, I turned these over to him, and he subsequently returned them to me with his comments.

I should like to state also that sometime ago the Finance Minister related to me a series of steps which had been taken for accelerating the liquidation of alien enemy concerns. Having given an account which sounded quite efficient, he then formulated his desire that the antimony production be purchased. While he did not say so, the

[77] Enclosures mentioned in this despatch not printed.

inference was that he had done something to please us and now requested some compensation from us. Personally, I do not believe this argument should be given any consideration because Perú's anti-axis economic warfare has been even more important for this country than for the United States. And, if I may add another impression, the liquidation of the spearhead firms has not yet been completed.[78]

In his letter the Minister implies that the agencies of the United States Government encouraged production of antimony and in consequence it should be the responsibility of the U. S. Commercial Company to continue purchases in order to permit the producers to liquidate their investments. As pointed out in Mr. Larson's memorandum, at no time during the present crisis has this Embassy received instructions from any governmental agency to encourage or foster in any way the production of antimony in Perú. It is a matter of record that as far back as the beginning of 1943 the curtailment of antimony purchases in Perú was contemplated by the Board of Economic Warfare,[79] although this step was not carried out at that time. Furthermore, the Over-All Agreement which expired June 30, 1944 states that the maximum amount of any metal that the U. S. Commercial Company is obligated to purchase shall not exceed 125 per cent of the 1942 exports with the exception of antimony which is limited to 100 per cent of the 1942 exports produced in Perú. This limitation on antimony purchases indicates that our supply position in this metal was comfortable and purchases in excess of the contract commitment were not contemplated. According to the records in the Lima office of the Foreign Economic Administration, we have purchased the amounts of antimony ores and concentrates specified in the Agreement. Therefore, the building up of unmarketable stocks of this metal may be attributed only to the optimism on the part of the producers for future markets.

According to the figures submitted by the Sociedad de Mineros del Sur del Perú in the attached memorandum, the expansion of the antimony production in southern Perú occurred in the years 1939 to 1942, during which time England was the principal purchaser. Japan also was an important factor in the Peruvian antimony market in 1940 and 1941.

Since we have fulfilled our contract obligation in regard to Peruvian antimony purchases, the matter of aiding the distressed antimony miners is entirely a Peruvian problem. It may be pointed out that the Banco Minero del Perú was organized primarily for the purpose

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[78] For correspondence on this subject, see pp. 1553 ff.
[79] Predecessor agency of the Foreign Economic Administration.

of assisting the small producers of minerals and it appears in order for this agency to come to the rescue of the antimony miners by purchasing and stockpiling the accumulated stocks instead of depending on the U. S. Commercial Company.

With a decrease in the demand for war materials it is not difficult to foresee similar requests, either legitimate or otherwise, and any action taken in sustaining Peruvian antimony production is susceptible to interpretation as an obligation on the part of the U. S. Commercial Company which would establish a precedent for similar claims in other cases.

In addition to the foregoing, any concession with reference to antimony would represent more favorable treatment to the Peruvians than is being given to our own nationals.

It is in order to mention also that the United States has faithfully completed all of its commitments to Peru in every single case. It seems to me preferable that Mr. East comply with Perú's duties, particularly toward the American bond holders and certain other individual American creditors of this nation.

Respectfully yours, J. C. WHITE

811.20 Defense (M) Peru/9–644

The Secretary of State to the Ambassador in Peru (White)

No. 3572 WASHINGTON, September 29, 1944.

The Secretary of State refers to the Embassy's confidential despatch no. 1323, of September 6, 1944, transmitting the Peruvian Government's request for continued purchases of antimony by United States Commercial Company.

The supply situation of the United States with respect to antimony is such that further public purchases of antimony could no longer be justified to the American people by the responsible authorities of this Government. Since it is the established policy of the United States Government in its foreign procurement program to direct as rapidly as practicable the flow of international trade back into private channels and as it is felt by the United States Government officials concerned that there is no moral or legal commitment on the part of this Government, to purchase additional quantities of antimony, after most careful consideration it is not felt possible to comply with the Peruvian Government's request, for continued purchases of antimony by the United States Commercial Company.

The Department is in accord with the views of the Embassy as expressed in the referred to despatch.

DISCUSSIONS BETWEEN THE UNITED STATES AND PERU REGARDING TRADE CONTROLS [80]

103.9169 Lima : Airgram

The Chargé in Peru (Butler) to the Secretary of State

LIMA, February 24, 1944—5 : 45 p. m.
[Received March 1—12 p. m.]

A–206. For Foreign Economic Administration. Reference Department's circular airgrams from Foreign Economic Administration dated February 15, 1944, 11 : 00 a. m., 11 : 10 a. m., 11 : 20 a. m., 11 : 30 a. m., 11 : 40 a. m. and 11 : 50 a. m.,[81] in connection with the further modification of the Decentralization Plan.

The Country Agency [82] is willing to accept these modifications, but urgently requests that Import Recommendations already issued for the second quarter for the various commodities under reference ((1) trucks, etc.; (2) repair parts for maintenance and capital equipment; (3) radio receiving tubes and other radio equipment; (4) office machinery and appliances, including typewriters; (5) petroleum products) be honored in full before any licenses are issued against applications not covered by Import Recommendations. The Embassy agrees with this point of view, as a great deal of work has been undertaken by the Country Agency in distributing equitably certain allocations for the second quarter.

BUTLER

823.5017/28

The Chargé in Peru (Patterson) to the Secretary of State

No. 9120 LIMA, February 28, 1944.
[Received March 8.]

SIR: I have the honor to acknowledge receipt of the Department's instruction No. 2999 of January 3, 1944 [83] transmitting a questionnaire on features of price control in Peru and in compliance therewith to enclose a confidential report on this subject prepared by Mr. Hinke of the Embassy's Economic Reporting Section, accompanied by memo-

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[80] For correspondence on shipping problems in 1943, see *Foreign Relations*, 1943 vol. VI, pp. 712 ff.

[81] None printed except the circular airgram of 11 : 40 a. m., p. 653. These dealt with modifications in the regulations in the several groups of commodities.

[82] Departamento de Importaciones, under the Ministry of Finance. Under the decentralization plan of controlling exports from the United States, the country agency in each country issued preference requests for those commodities most needed, and these requests together with other factors were considered by the Foreign Economic Administration and other agencies in the United States in assigning allotments.

[83] Not printed.

randa [84] prepared by officers of the Requirements and Priorities Section and the Financial Controls Section.

While the Embassy is not prepared at this time to estimate the extent to which Lima wholesale and cost of living indices reflect the present situation in Lima or in Peru, it may be stated with a considerable degree of assurance that the price situation is considerably easier than a year ago, even though prices in a number of lines are actually higher than at the beginning of 1943. The essential point is that in some important lines, such as steel reinforcing bars, prices appear to have reached their peak and to have receded normally as supplies have expanded. The Embassy is confident that the most satisfactory solution to the price situation in Peru, as it affects American merchandise, will be an elimination of controls on trade along the lines now being followed as rapidly as the supply and shipping situations permit.

Essentially, the control of prices in Peru is a problem requiring action by the Peruvian Government itself. In his message to Congress of July 18, 1943, the President of the Republic [85] expressed his view that there is no inflation in this country but only ever-increasing prosperity. As a result, the Government has not undertaken to enforce severely its controls over trade and prices except possibly with respect to pharmaceuticals, drugs, basic foodstuffs, and a few other items. Its views on this subject are apparently not unwarranted, since the symptoms of inflation appear to be by no means as serious as are reported from Chile and Ecuador, for instance. In Peru, inflationary trends have appeared rather than inflation itself.

The Embassy is inclined to the view that the time for the United States Government agencies to take a serious view of the price situation in this country seems to be passing, in view of the marked increases in the quantities and varieties of American merchandise supplied to the market in the past six months as a result of the improved supply and shipping positions, and feels that as such supplies are increased the situation here will gradually readjust itself. On the other hand, the Embassy does not perceive how the United States Government can be of material assistance to the Government of Peru in meeting food shortages, largely arising out of its failure to accumulate reserve supplies of rice and flour to meet possible emergencies, or to increase deliveries of meat. This is the area where the price structure and the supply picture have been most unfavorable.

This occasion is taken to reiterate the view expressed in Mr. Hinke's report that the initiative in obtaining the services of American advisers on price control or fiscal policies connected with the possible freeing of the market for gold in Peru should come from responsible officials of the Peruvian Government rather than from a United States Gov-

[84] None printed.
[85] Manuel Prado Ugarteche.

ernment agency, whether directly or indirectly, and the Embassy would be reluctant to suggest to the Peruvian Government at this time that such advisers might be available in view of their known attitude, which is rather unfavorable except as concerns primary necessities.

It may also be mentioned that the Embassy considers that an approach to the Peruvian Government as to the possibilities of selling gold coin, issuing gold certificates or freeing the market for gold bullion would be premature at this time.

Respectfully yours, For the Chargé d'Affaires a.i.:
JULIAN GREENUP
Counselor for Economic Affairs

103.9169/3120 : Airgram

The Ambassador in Peru (White) to the Secretary of State

LIMA, April 4, 1944—5:45 p. m.
[Received April 10—3 p. m.]

A–344. For Foreign Economic Administration. Reference Department's circular airgram from Foreign Economic Administration of March 30, 1944, 7:30 p. m.[86] regarding a further proposed rollback of Decentralization to a minimum positive list as of July 1, 1944.

As expressed in the Embassy's telegram No. 1178 of September 3 [*1*], 1943, 3:00 p. m.,[86] the Embassy in principle is in complete accord with the removal as soon as possible of restrictions on the exportation of American merchandise not in short supply. Any alteration in the Decentralization Plan, it is felt, should also be contingent upon whether or not available shipping is sufficient to handle the volume of requests made by Peruvian importers.

As long as certain commodities are in scarce supply and such limited amounts have to be equitably apportioned among importers on a basis of their actual requirements, it would then appear not only necessary, but advisable, that the control over the division of the limited amount available of such commodities be exercised in the field. This is primarily due to the closer association of the men in the field with importing firms in Peru and their more intimate knowledge of the requirements of such firms. Although the present system of import recommendations is one which the Embassy, in its desire to get back to a basis of normal free trade, wishes to see modified or done away with as quickly as possible, still it is realized that a distribution of allocations of commodities in limited supply by authorities of the United States Government in Washington, in which distribution or division the authorities of the Peruvian Government would have no part, could not help but lead to an inequitable distribution of such commodities.

[86] Not printed.

This would result in ill will directed against the United States Government and its agents, whereas under the present system the responsibility for the division of the allocations of commodities in limited supply rests exclusively with the Peruvian authorities. At present if the division is not equitable from the point of view of the essential minimum needs of each applicant, then the responsibility rests directly with the Country Agency, to which appeals can be made locally.

A too rapid rollback of decentralization for those commodities in limited supply and under limited allocation, it is feared, would result in the Economic Section of the Embassy becoming a clearing house for complaints of local importers regarding the unfair distribution of such allocations by the authorities in Washington. A gradual rollback as commodities come into freer supply would appear the most logical procedure. The Embassy would like to recommend that a positive list be completed as soon as possible since the frequent modifications and changes have resulted in misinterpretations and confusions in many cases.

WHITE

823.24/1221 : Telegram

The Ambassador in Peru (White) to the Secretary of State

LIMA, June 13, 1944—11 a. m.
[Received 2:33 p. m.]

782. Department's circular airgram May 25, 11:15 a. m.[87] Peruvian Government agrees to decentralization rollback.

But despite Embassy's explanation of disadvantages and Peru's desire to remove unnecessary governmental intervention as soon as possible, temporary controls during transition period are considered absolutely necessary: (1) to protect newly established domestic manufactures; (2) curb increasing volume of trade by refugees at the expense of old established firms; (3) curtail imports luxury items at high prices from Argentina and elsewhere which already are depleting the relatively small foreign exchange reserve; (4) because Peru, it is said, is about the only nation without extensive trade control. Consequently the Government has decided to require approval of all orders of merchandise from all countries effective July 1 through a system of licenses issued by the Finance Ministry and communicated to the Peruvian Consuls abroad.

The corresponding notice was to have been published June 15, but Finance Minister[88] has agreed to postponement until June 17 in

[87] Not printed; it conveyed a proposal to require import recommendations only for commodities on a positive list, effective July 1, 1944. The most important items listed were steel, cotton, rubber, rayon, wool, and their products. (103.9196/3680a)

[88] Julio L. East.

observance of principle of consultation and will be pleased to receive Department's observations for such use as may be possible. Please telegraph by June 17.[89]

WHITE

103.9169/4100 : Airgram

The Ambassador in Peru (White) to the Secretary of State

LIMA, June 13, 1944—5 p. m.
[Received June 20—10 a. m.]

A–573. Reference Department's circular airgram of May 25, 11 : 15 a. m., 1944,[90] and the Embassy's reply in telegram No. 782 of June 13, 11 a. m., regarding the decentralization roll-back to be announced June 15 and become effective July 1.

The Finance Minister's written reply of June 12 [90] expressed full agreement with FEA's proposal regarding action by the United States and enclosed a copy of a notice the Ministry proposed to publish on June 15 informing the public of the United States roll-back and of the decision of the Council of Ministers to require Peruvian import licenses for all merchandise from all countries of origin, for the reasons enumerated in telegram No. 782 referred to above. The notice is translated as follows:

MINISTRY OF FINANCE AND COMMERCE

Official Announcement of the Department of Importations

The Ministry of Finance makes known to the import trade that according to information provided by the FEA of the Government of the United States, recommendations for exports from that country will not be necessary for the great majority of articles and that only a limited number of exports will need that prerequisite after July 1, 1944.

In order to facilitate for importers regularity in the embarkation of their orders and in order that the same may adjust themselves to the necessities of national economy, notice is given that the Department of Importations of the Ministry of Finance will require the presentation of applications for every order of merchandise, without exception, and whatever the country or origin, in order to decide upon, after a rapid examination, the respective import license of the Peruvian Government.

LIMA, June 14, 1944.

The Director General of Finance.

(As explained in the Embassy's telegram No. 782 referred to above, the Finance Minister is withholding publication of this announcement for a few days pending receipt of any observations that the

[89] See Department's telegram 647, June 16, p. 1540.
[90] Not printed.

authorities in Washington may wish to make. He has explained, however, that a definite decision has been taken to adopt this form of import control and that only the most unusual circumstances will modify the decision.)

The drastic decision of the local authorities is contrary to what we had been given to understand in numerous previous conversations since roll-back was first discussed, although the Minister, as will be recalled, from the beginning expressed concern over the adverse effects on domestic economy of a possible congestion of orders and arrivals resulting from over-enthusiasm and speculative motives.

In recent weeks more has been heard progressively about the encroachment of newly established import firms, mostly Hebrew, it is said. The Lima Chamber of Commerce has promoted this idea as it applies to commission agents and importers, while the Association of Manufacturers is interested in protecting not only the old but also the new industries fostered by the emergency shortages of merchandise. Finally, the whole scheme fits into the government's plan for devising a system for selling Peruvian products in markets where Peruvians buy. At the same time it represents an instrument controlling foreign exchange without promulgating legislation specifically for that purpose.

The British payments agreement was an instructive and useful model, which the British have applied inexorably, and which was seconded by our intricate and comprehensive requirements controls and overall merchandise purchasing agreements.

Possibly it may affect the United States more unfavorably than others, owing to our long and short term agreements, under which we have undertaken more or less unconditionally to acquire Peruvian products. Presumably the Peruvian Government will use the import licensing system to encourage continuation of the existing purchasing agreements.

This matter attains special importance when coupled with the recent debt discussions [91] during which the exchange shortage was featured so prominently by all the Peruvians who participated formally and informally; and it seems obvious that several of them, whom the Finance Minister consulted on the topic dealt with here, discerned in this roll-back proposal an excellent bargaining instrument,—and also a new source of revenue.

Mr. Wilfredo Pflücker, Chief of the country agency or requirements work, outlined the preliminary deliberations as follows: After discussion it was agreed, as it had been in the past, that the continued issuing of licenses would carry all of the emergency inconveniences over into peace-time trade, that the system would be hard to destroy if once imposed, that the other nations likely would have to adopt

[91] For correspondence on these discussions, see pp. 1568 ff.

counter-measures in due course, that discrimination among business men on the basis of race is inadvisable, etc. Later he reported that the Minister and his advisers also agreed on those points, in principle, but the impression prevailed that Peru, like all of the great nations and most of the small, of necessity must retain a system of control until the future is seen more clearly.

During the discussion in the Council of Ministers it was decided the opinions of the Chamber of Commerce and Association of Manufacturers, as well as the imperativeness of curtailing the outflow of dollar exchange, must be observed at least during the period of transition and until the coming international conferences determine the norms of post-war intercourse. Both Mr. David Dasso [93] and Finance Minister East illustrated by asserting that orders for motor vehicles alone would, if unchecked, consume an appreciable percentage of Peru's accumulated foreign exchange.

Mr. East was aware of the likelihood of energetic protests from importers, but stated the application of the contemplated system would be moderate and attentive to all serious interests.

WHITE

623.116/21a : Telegram

The Secretary of State to the Ambassador in Peru (White)

WASHINGTON, June 16, 1944.

647. The Department regrets that the Peruvian Government considers it necessary to institute the new import control system referred to in your telegram no. 782, June 13, 11 a. m. It has noted that the new import license system is described as a temporary control during the transition period, and strongly hopes that, if adopted, the system will be removed as promptly as conditions permit.

The Department particularly regrets that the measure is being initiated at a time when it seems that emphasis might be placed more logically on the progressive diminution and elimination of wartime controls, as rapidly as wartime conditions permit, in anticipation of efforts to revitalize and augment international trade in the post-war period in which Peru has, of course, a most vital interest.

Further, the reasons which have been advanced for the adoption of the measure, including protection of newly established industries, do not seem to be directly identified with wartime or other emergency considerations.

In the absence of details as to the contemplated licensing system, the Department is unable to advance a definite opinion as to whether the measure would be in contravention of Article III, paragraph 2,

[93] Former Finance Minister.

and Article X, paragraph 1 of the trade agreement with Peru,[94] but there seems to be reasonable ground for so believing, as the reasons advanced for its adoption do not appear to fall within the provision of Article XIV, clause "h".

Under the circumstances, you may, in your discretion, endeavor to secure a further postponement of the measure, and request further details in order that the Department may have an opportunity to give the measure more adequate consideration.

HULL

823.24/7–644 : Airgram

The Ambassador in Peru (White) to the Secretary of State

LIMA, July 6, 1944—5 p. m.
[Received July 12—8 a. m.]

A–651. Reference Embassy's telegram Nos. 862 and 881 of June 28 and July 3,[95] respectively, regarding the Peruvian import control project.

The following supplementary information concerning the subject is being forwarded in view of the Department's interest and the importance of the subject:

Statements by Finance Minister East, representatives of the Chamber of Commerce and prominent businessmen indicate that the leading importers have convinced the Finance Ministry and its counselors that the imposition of a comprehensive import licensing program at this time is detrimental and unnecessary.

The representatives of the Chamber of Commerce and businessmen energetically protest against revealing the details of their import business to a public office where the information is available to competitors and insist that under the prevailing conditions in Peru the Government is not justified in dictating what or how much an importer shall acquire abroad. They have also referred to the decision of the Finance Ministry as diametrically opposed to the principle of free trade toward which the Allied and associated nations are striving, and emphasized the fact that the Ministry's decision is especially inopportune at the very moment when the nations carrying the burden of the war are endeavoring to remove restrictions.

The Finance Minister, having stated at the beginning that the control would be mild and would take into consideration all legitimate interests, has experienced no embarrassment in acceding to the ma-

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[94] Signed at Washington, May 7, 1942; for text, see Department of State Executive Agreement Series No. 256, or 56 Stat. (pt. 2) 1509. The articles cited indicate a prohibition against a trade restriction except under circumstances therein specified.

[95] Neither printed.

jority of opinion prevailing among business men. He had prepared a communiqué for publication in the newspapers of July 4th or 5th announcing that importers would be required to submit to the Ministry only notices, which might also be termed applications, showing the quantities, values, etc. of merchandise ordered abroad. There would be two copies, one of which would be stamped immediately and returned to the importer who could forward his order forthwith. The Peruvian diplomatic and consular officers abroad would not intervene in any way—all administrative action would be taken in Lima. Representatives of the Chamber of Commerce and businessmen explained that this decision on the part of the Finance Minister was made in order to avoid a protest meeting which had been announced by the Chamber of Commerce, to be followed, if necessary, by direct appeal to President Prado. The same representatives reported they would be satisfied with this simplified form if their continued efforts to abolish the whole plan are unsuccessful. However, they are still working toward that objective, and Mr. East's failure to release the communiqué for publication on the 4th, 5th, 6th or 7th of July indicates they may be making some progress.

The subject has been discussed several times with the Commercial Secretary of the British Embassy and the Canadian Government Trade Commissioner who report that British and Canadian businessmen also have protested against every type of import control which is not absolutely necessary. They stated that the authorities in London and Ottawa have not replied to their reports which were sent out simultaneously with the Embassy's telegram No. 782, dated June 13, 11 a. m., 1944. This leads them to the conclusion that the British and Canadian Governments are opposed to the scheme, or at least prefer to withhold comments on the subject. In the absence of instructions they describe themselves as in full agreement with the Department and this Embassy.

WHITE

823.25/7–2044 : Telegram

The Ambassador in Peru (White) to the Secretary of State

LIMA, July 20, 1944—noon.
[Received 3:38 p. m.]

938. Embassy's airgram A–651 dated July 5 [*6*]. Finance Ministry has abandoned its proposed import control plan and has adopted the following simplified process for obtaining the statistical information desired for purposes of observation.

Importers will submit to the Ministry every 15 days a letter describing only the commodity, amount and country of origin. Peruvian Consuls abroad will forward airmail copies of consular invoices

certified. No applications, fees, prior permission or other formalities required from importers in Peru or exporters abroad. Airmailing official announcement to appear early next week.

WHITE

823.24/8–1144 : Telegram

The Ambassador in Peru (White) to the Secretary of State

LIMA, August 11, 1944—6 p. m.
[Received 11 p. m.]

1026. Embassy informed official sources there is a tendency toward increasing re-exports of American merchandise from Peru to Argentina. Case now pending involves 300 tons paraffin. Department's urgent instructions requested.*

WHITE

823.24/7–2044

The Secretary of State to the Ambassador in Peru (White)

No. 3469 WASHINGTON, August 15, 1944.

SIR: I am gratified to learn from the Embassy's telegram no. 938 of July 20, 1944 that the Peruvian Government had decided against the adoption of its proposed import control plan.

Please express to Finance Minister East and any of the other officials of the Peruvian Government concerned my keen interest in and appreciation of this action. It is hoped that the destructive economic practices followed after the last world war can be avoided after this war and that the American republics will unite in leading the way in freeing trade of unnecessary controls as rapidly as war conditions permit, thus helping to create the conditions which will permit a mutually beneficial expansion of international commerce in accordance with the economic principles of the Atlantic (United Nations) Charter.

Very truly yours, CORDELL HULL

823.24/8–1144 : Telegram

The Secretary of State to the Ambassador in Peru (White)

WASHINGTON, August 17, 1944—6 p. m.

864. The Department views as most serious the tendency reported in your 1026 of August 11 for the increase in re-exports of American merchandise from Peru to Argentina. It is desired that you at the

*Advising Finance Ministry. [Footnote in the original.]

earliest opportunity seek an interview with the appropriate officials to state in a friendly but firm way your Government's concern at this development. You should say that not only is the re-exportation of American merchandise contrary to the letter and spirit of the export laws and regulations now in force and the working arrangements we have with the various American Governments, but also that this action, particularly in the case of Argentina, results in the negation of adopted policies of concerted hemispheric action. Argentina could not obtain direct from the United States the goods moving from Peru. These goods were furnished Peru at some considerable sacrifice to civilian consumers in this country and the quantities also detract from the total supplies available for the use of other friendly Governments and peoples throughout the world.

I am sure that your approach to the Peruvian Government will be an entirely friendly and understanding one, but that you will at the same time make it unmistakably clear that unless this practice ceases immediately, the only result can be the diminution of supplies to Peru.

HULL

823.24/8–2444 : Airgram

The Ambassador in Peru (White) to the Secretary of State

LIMA, August 24, 1944—12 noon.
[Received August 28—5 p. m.]

A–817. The Embassy has been approached by representatives of American firms with offices in Peru regarding the attitude of the United States Government toward the purchase of Argentine products by such firms for distribution in Peru. Until the present Argentine situation is clarified, there is apparently hesitancy on the part of such firms to make purchases in Argentina.

In view of the Department's attitude relative to the re-exportation of United States merchandise from Peru to Argentina as expressed in the Department's telegram no. 864 of August 17, 1944, 6 p. m., advice would be appreciated as to the Department's attitude in connection with purchases from Argentina as indicated above.

WHITE

823.24/8–2444 : Airgram

The Secretary of State to the Ambassador in Peru (White)

WASHINGTON, September 2, 1944—2:10 p. m.

A–659. Your airgram No. A–817, August 24, noon. The considerations outlined in the Department's telegram no. 864 of August 17, 6 p. m. do not apply with regard to purchases made by Peru in other

South American countries including Argentina, since there is no question of violation of United States export controls.

HULL

823.24/9–1244

The Ambassador in Peru (White) to the Secretary of State

No. 1394 LIMA, September 12, 1944.
[Received September 18.]

SIR: I have the honor to inform the Department of the prompt and continued cooperation of the Peruvian Government in disclosing and suppressing the re-exportation of United States merchandise to Argentina, as referred to in the following communications:

The Embassy's telegram No. 1026 of August 11, 6 p. m., informing the Department of a report supplied by the Peruvian Government; and the Department's reply thereto in telegram No. 864 of August 17, 6 p. m.

. . . . . .

Finance Minister East took both matters to the Council of Ministers and later reported Peru's policy of cooperation is sincere, and there will be no re-exports to Argentina, barring possible clandestine operations. It was brought out in their discussions that the Supreme Decree of December 8, 1941, promulgated at the beginning of our economic warfare work and duly reported at that time, together with the Decree of November 7, 1942, provide full authority for prohibiting any re-exports to Argentina. A copy of the latter is enclosed herewith [97] for ready reference. The Council decided further that goods arriving in Peru for transshipment to Argentina, on through bills of lading or when the documents emanating from the United States indicate the commodities were exported with the knowledge they were destined to Argentina, could not conveniently be stopped here. Argentina certainly would protest and possibly retaliate on wheat or other vital exports to Peru.

One of the primary questions in this matter may be whether the corresponding authorities in the United States have properly informed American exporters and banking institutions; and, if so, whether due care has been exercised by the latter in examining their documents and reporting to the export control officers.

Without affecting in any way the Peruvian Government's determination to comply with its agreement to cooperate with the United States in this as well as other respects, it may be mentioned that some of the officials are rather confused by the occasional newspaper reports of ever-increasing United States purchases in Argentina. The papers

[97] Not printed.

of September 10, 1944, for instance, carried a U.P. item dated the 9th in Buenos Aires, which stated that "the Corporation for the Promotion of Interchange announces that Argentine exports to the United States increased by 38.7% during the first semester of 1944 as compared with the corresponding period of 1944 [*1943?*], the total amounting to 373,431 tons".

The Department will be interested in learning that the Central Reserve Bank and Mr. East supplied the new information contained in the Embassy's telegram No. 1150 of September 8, 7 p. m., 1944,[99] which demonstrates the most effective cooperation. The Minister made the special request, however, that the sources be guarded in the utmost confidence to avoid possible complications with the Central Bank of the Argentine Republic and the Argentine Government.

Respectfully yours, For the Ambassador:
JULIAN GREENUP
Counselor for Economic Affairs

823.24/9–2044

The Ambassador in Peru (White) to the Secretary of State

No. 1486 LIMA, September 20, 1944.
[Received September 26.]

SIR: I have the honor to refer to the Department's circular instruction of July 31, 1944,[99] file No. 810.24/7–3144, transmitting FEA's request for estimates on Peru's 1945 requirements of approximately 2,000 commodities; and to submit the following comments which, it is believed, will be of value to the Department in further considering the probable effect of this project on the immediate as well as the long-term trade and general relations with Peru.

Considering the number of commodities and the nature of the information sought, the request involves more work than the list of less than 200 items which evidently was deemed sufficient by BEW [1] during the most critical period of the emergency. Although it is stated no revision of previous recommendations is necessary, it is noted that the estimates are to be submitted for any commodity on the lists which the Peruvians specifically need. To obtain useful answers to the questions it would require investigations among most of the importers and manufacturers in the nation. Such a comprehensive investigation would have rendered it practically impossible to supply the data by September 15, November 1, and December 31, even if the instruction and lists had been received promptly after

[99] Not printed.
[1] Board of Economic Warfare, a predecessor agency of the Foreign Economic Administration.

July 31. The lists arrived on September 15. In the case of lumber and forest products it is stated that requirements estimates received after November 1 cannot be assured consideration for 1945, at least for the first quarter, despite the fact that we have already transmitted comprehensive information concerning Peruvian lumber requirements. This provision would seem to mean that our exporters and foreign clients may be deprived of the trade they have developed during many years owing to the tardy transmission of rather impossible rules.

Even if we eliminate 500 items by arbitrary decision without consulting the traders, there still remain about 1,500 commodities on which we are requested to supply units of measurement; minimum essential requirements; quarterly demand; estimated effective demand on the United States; estimated domestic production; annual imports from sources of supply other than the United States; stock position; end use; and justification of essentiality.

As concerns agricultural supplies and equipment on which reports are to be submitted by December 1, the following additional studies are required: the effect on total production of what crops, the effect on production per acre, the effect on saving of food crops, the availability of skilled operators, servicing facilities and fuel supply; and any unusual circumstances requiring changes in practices with supporting research evidence of beneficial results and evidence that the changed practices will be adopted. In this same section under the heading "Fertilizers", it is desired to know the short tons of material and percent of plant food content of numerous items including, for example, Florida Land Pebble—if our understanding of the request is correct. Another request under agricultural supplies is that a separate listing be made of the portion of passenger cars, parts and accessories, tires and tubes which will be required for agricultural uses.

All in all the request seems to approach unreasonableness as well as the impossible. There are dozens if not scores of items which have no perceptible relation to the war effort, or to the essential economy of any nation in the hemisphere, or to rational trade promotion, such as smoked poultry, prickly pears, watermelons, candied grapes and Christmas trees. Of course they can and will be ruled out automatically, but their inclusion in the list at all, together with the request for estimates of minimum essential requirements, effective demand, stock position, end use, and justification of essentiality, tends to throw the shadow of futility over the whole job,—not to mention other requirements such as the "supporting research evidence" just cited and the more serious aspects set forth as follows:

At the request of the Embassy, on behalf of FEA, the Peruvian Government at considerable expense set up a country agency for handling a very comprehensive system of licensing under the quota plan. It was to be a cooperative enterprise. Thereafter we re-

quested that an exception for mine supplies and later for other materials brought in by the different agencies of the American Government be made by the Peruvians who, in their customary spirit of cooperation, acquiesced. Then the decentralization plan, which was very favorably accepted as an effective procedure for the control and distribution of essential requirements imported from the United States, was set up and gave good results. However, the Embassy, the Peruvian Government and the local businessmen were subsequently embarrassed when appreciable shipments of merchandise described as critically short were received in Peru by persons who had never imported before and after the Finance Ministry and the Embassy had seriously cut down on requests by long-term clients of good reputation. The Peruvian Government also overlooked that, knowing that errors would have to occur in a program of such vast proportions. Shortly thereafter press releases in the United States announced an easier supply situation and in due course the Embassy was requested to bring this condition to the attention of the Peruvian Government and make known to it that a large number of commodities were to be removed from the quota list. The businessmen were to forward their orders directly to their principals in the United States, and the merchandise would be shipped in due course as conditions permitted. This also was accepted by the Peruvian Government in view of our explanations that the American Government was exerting every effort to return to normal peace-time trade as rapidly as possible. But almost immediately we were requested to inform the Peruvian Government that the supply situation was not so free and that control had simply been transferred to Washington. This, of course, was in conflict with the spirit of the cooperative working arrangement which had been established, and the Peruvians took note thereof although little was said about it. Shortly thereafter the Finance Ministry decided to establish an overall import control system of its own. No one ever actually described this as a retaliatory measure but it amounted to as much. Nevertheless, in continuation of the policy of acquiescing in the desires of the Embassy as the only logical method of collaboration in a period of extreme crisis, Finance Minister East gave way to the arguments of the Department, the Embassy and businessmen, and discarded his control plan.

Secretary Hull personally congratulated Finance Minister East on his bold stand in favor of the free trade principles of the Atlantic Charter, and Mr. East replied to the Secretary in similar terms.

Now in the instruction referred to above we are informed that the supply situation in the United States does not yet warrant any relaxation in the controls, and we are requested to undertake the most comprehensive investigation so far known to have been devised.

On the other hand, FEA obviously is relaxing controls, and in some instances in an unnecessarily detrimental way. There is the illustration in airgram A–583, dated August 12 [9] 3:55 p. m., 1944,[2] in which it is stated: "It is not now nor ever has been the function of FEA to channel business to producers or dealers or to regulate the channels through which such transactions flow. FEA's responsibility channels through which control is necessary on the quantity that moves without regard to the distribution channel through which it moves . . . ." [3]

It is interesting to consider the foregoing quotation in connection with: (1) the extremely onerous list of estimates now requested; (2) the list of commodities submitted under cover of the Department's instructions No. 3465 of August 14, 1944, No. 3497 of August 28, 1944, and No. 3534 of September 9, 1944,[4] showing the names of clients to whom export licenses have been granted.

The lists enclosed with the three instructions referred to include very appreciable amounts of chromic acid, metallic magnesium, ammonium nitrate, benzol, toluol, graphite electrodes, aniline salts, aniline oil, and other products for the Compañía Comercial Sud Americana S.A. The firm's name was unknown to FEA, a few of these products only a short time ago had been on the critical list, and the requirements reports gave a fair idea of Peruvian consumption. Yet FEA actually licensed large quantities over and above any necessity in Peruvian industry. As was pointed out in the corresponding communications to the Department (refer to telegram No. 1150, September 8, 7 p. m.[5]), this merchandise was ordered for re-exportation to Argentina.

To foreign clients and collaborating governmental officials this confusing network of paths and passages—the most minute investigations, applications, fees, licenses, regulations, code numbers, claimant agencies, allocation boards, shipping rules, vigilance over end use, being denied the privilege of buying but getting it freely through Lend-Lease, the complications of the mine supply control system in a period when we are not encouraging mine production, at least in many lines, the importation and sale by the American Government of merchandise in competition with local firms, etc.,—looks like the most complicated trade control system in existence.

They may be right. It is felt that some person thoroughly familiar with all of the details could render a thoroughly useful service by drawing up a list of prerequisites for purchasing United States merchandise, with comparisons of conditions imposed by friendly as well

[2] Not printed.
[3] Omission indicated in the original despatch.
[4] None printed.
[5] Not printed; it indicated that the Compañía Comercial Sud Americana S.A. was applying a comprehensive system of supplying Argentina (740.23112A/9–844).

as unfriendly competitors. Few, if any, of these foreign clients and official friends will long remember how we have sacrificed and divided our goods when others did not. In most cases they will simply continue to reiterate, as they have for months, that all other nations freely receive their orders directly, supply if they can; and if impossible, inform the Peruvian client tactfully that for emergency or other reasons the orders cannot be filled at the moment but that every effort will be made to do so as soon as the circumstances are right.

We believe it will be directly detrimental to the United States to revive the memory of this complex trade control plan, to risk the recurrence of reports already circulated too widely by enemy as well as friendly competitors that the United States is using the emergency regulations to gain possession of trade secrets throughout the world, at this time when the more influential public opinion has relegated the whole system of investigation, policing, intimate inquiries, etc. into the past labyrinth of emergency necessities. The perpetuation of control measures, especially those involving estimates of requirements and end uses of commodities which are in free supply, or will soon become so, is going to dissuade importers from placing orders in the United States if competitive sources of supply are available. This inclination has been forcefully expressed by many local importers.

Would it not be preferable, in view of the factors cited, to limit investigation and control to the shortest possible list of commodities highly important in the war effort and in Peruvian commerce?

Or, still better at this time, to carry the decentralization plan, the tapering off of controls, and the Hull–East ideas on the hasty reversion to unfettered trade practices a step forward instead of backward?

Could we not now suppress end-use investigations; "policing" control; and impertinent inquiries regarding confidential private inventories, our clients' plans for trade with competitors, etc., and just sell as we are able, without attempting to supervise the affairs of our neighbors? It is believed every importer in Peru would prefer to submit his order and then, without unusual formalities, be told we are pleased to sell, or that we are unable to do so.

None of this applies to direct or indirect trade with enemy or politically unfriendly firms.

It is not the Embassy's desire to introduce controversial topics, but simply to inform. Every effort will be made to apply the instructions and regulations as methodically as is possible—in the way they have been applied in the past in this country where the requirements work has been frequently described as exceptionally smooth and effective. But we do not believe the present instruction can be complied with.

Pending an expression of the Department's views and instructions regarding the problems cited, efforts will be centered on estimates of such 1945 requirements as are urgently needed in Peruvian trade and

industry, in harmony with the statement made in the last paragraph on page 4 of the instructions (of July 31). However, we believe it to be impractical in the majority of instances adequately to supply the data requested under columns 9, 12, 13 and 14.

Respectfully yours, For the Ambassador:
JULIAN GREENUP
Counselor for Economic Affairs

103.9169/10–244

The Ambassador in Peru (White) to the Secretary of State

No. 1579 LIMA, October 2, 1944.
[Received October 10.]

SIR: I have the honor to refer to the Department's Circular Airgram from the Foreign Economic Administration of September 16, 1944, 12 p. m.[6] relative to proposed modifications in the procedure for the routing and handling of copies of Import Recommendations.

The Embassy is hesitant to bring this matter to the attention of the Country Agency, particularly in view of the fact that in the not too distant future, it is assumed that Import Recommendations will no longer be required. In addition, several modifications have already been made in the procedure since originally adopted, and further modifications are not deemed advisable at this time. The Country Agency, as originally set up, issued a Certificate of Necessity for commodities under allocation and a Certificate or Recommendation for commodities not under allocation. With the beginning of the Decentralization Plan on the first of April 1943, the Import Recommendation form was agreed to by all and adopted. As of the first of April 1944 the Import Recommendation form which had been in use for the past year was modified upon the suggestion of the Foreign Economic Administration and the present form put into use, with the result that the Country Agency found it necessary to scrap several thousand of the old Import Recommendation forms already printed and void those in the hands of applicants.

The Peruvian Government has been led to believe that the system of import control as constituted under the present Decentralization Plan is rapidly on its way out, and any attempt to modify the present system at this time would only lead the Peruvian authorities to believe that the plan was of a more permanent nature than it had been led to believe. Therefore, the Peruvian Government might again reopen the question of instituting its own system of import control.

[6] Not printed.

It is believed best to let the whole subject of import control die out as rapidly as possible and not call unnecessary attention to it by constant modifications and revisions of the procedure.

As at present set up, a complete set of five copies of the Import Recommendation form is sold to the applicant, and a one sol stamp is affixed to copy No. 2, which is then retained as a file copy by the Country Agency. Applicants do not usually purchase just one set at a time, so there are probably several thousand sets at present in the hands of importers throughout the country to be filled out and transmitted to the Country Agency as the occasion demands. It certainly would be impractical to recall all such outstanding Import Recommendations and issue others as would have to be done if the proposed procedure were adopted because copy No. 2 with the affixed stamp could not be sent to the Embassy for its files, but would have to be retained by the Country Agency. All outstanding sets of Import Recommendations would have to be recalled and new ones issued, on which a stamp would be affixed to copy No. 1.

It is believed that the trade would soon learn that copies of the Import Recommendations are not forwarded by the Embassy to the Foreign Economic Administration in Washington. There would be nothing to prevent a few unscrupulous applicants from modifying an Import Recommendation by changing the amount of any given commodity granted by the Country Agency as indicated on the approved copy received by the applicant, and there would be no ready way to catch such falsifications.[7] If a system of control is not going to make it possible to exercise an effective control, then there would appear to be little reason for the existence of such a system. It is believed by the Embassy that the proposed plan would not make it possible to exercise the desired control. For these reasons the Embassy and the Special Representative of the Foreign Economic Administration suggest that no consideration be given at this time to further modification of the Decentralization Plan.

Respectfully yours, For the Ambassador:

JULIAN GREENUP

Counselor for Economic Affairs

[7] As a result of these objections, which were said to have been the only serious ones advanced, the officials of the Foreign Economic Administration modified the proposed procedure "slightly" to the end of making unnecessary the recall of outstanding import recommendations and of assuring a ready detection of fraudulent alterations.

EFFORTS TO SECURE COOPERATION OF THE PERUVIAN GOVERNMENT IN THE CONTROL OF FINANCIAL TRANSACTIONS INVOLVING THE AXIS[8]

740.00112 RP/3

The Secretary of State to the Diplomatic Representatives in the American Republics Except Argentina

WASHINGTON, December 7, 1943.

SIRS: During the past years this Government has inaugurated many programs directed at implementation of economic warfare against the Axis in the American republics. One such program, which to some extent has overlapped the matter of Proclaimed List and related questions, has been the program for replacement of Axis economic interests throughout the other American republics. As you are aware, the objective of this program has been to encourage the development of local controls and by this method to cut off those spearheads of the Axis political-economic structure which have been responsible for espionage, sabotage, and other less spectacular but equally dangerous activities which characterized Axis operations in the years since the advent of Nazi power.

These spearheads of Axis economic power have most often been enterprises in fields where technical skill was necessary and where dependence upon German supplies was marked. Implementation of our campaign against these companies has therefore made it both necessary and desirable to offer technical assistance, managerial help and supplies from American companies, within the limits of the war effort. Further, the Third Meeting of the Ministers of Foreign Affairs at Rio de Janeiro[9] and the Inter-American Conference on Systems of Economic and Financial Control at Washington[10] have made it clear that the United States would assist the other American republics in the implementation of the local control measures which might be adopted, both by offering technical and managerial assistance and by making available certain financial assistance.

It has been recognized, however, that it would be highly undesirable to allow economic warfare to become economic penetration, and to substitute domination by the United States for domination by the Axis. It has been the Department's consistent policy that the local controls should be used by the other American republics in such a

[8] Continued from *Foreign Relations*, 1943, vol. VI, pp. 720–735.

[9] For correspondence concerning the Meeting, see *ibid.*, 1942, vol. V, pp. 6 ff.; see also 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).

[10] Concerning this Conference, held June 30–July 10, 1942, see *Foreign Relations*, 1942, vol. V, pp. 58 ff.; see also 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).

way as both to eliminate the Axis spearheads and to take advantage of the opportunity thus presented to establish nationalized industries which would be beneficial to the local economy and in which local nationals would have the greater interest. For this reason, the Department's previous instructions have emphasized that American participation in the reorganization of these firms should be limited to a minority financial participation or a management fee contract. Moreover, consistent with this policy that economic warfare measures should not be used to achieve American domination of these industries, the Department has at all times discussed the general principles underlying the replacement program with other governments having an interest in the matter, particularly with the British.

In this connection, it has been recognized by all parties that implementation of economic warfare measures at the present time requires, to a large extent, the use of United States companies. It has been recognized that use of these companies does not imply any intention to bar desirable companies which are nationals of other countries. In recent discussions which have taken place in Washington between members of the British Embassy and officials of the Department, it has been stated to the Department that the Ministry of Economic Warfare is "in agreement with the general principles which they understand that the State Department are pursuing in carrying out the replacement of enemy firms in Latin America."

It is highly desirable that this general agreement should be fostered by consultations between the representatives of the two governments on matters of mutual interest. It is, of course, understood that close consultation between American and British missions is presently the rule in all countries in connection with listing matters. It is understood, also, that replacement matters are closely related to and often directly grow out of the operations of the Proclaimed and Statutory Lists. The Department believes that such consultation between the American and the British missions on matters of replacement policy which are of mutual interest is desirable, and wishes to confirm the understanding on this matter which, it is believed, already exists.

It will be understood that such consultation need not affect the manner in which the purely commercial functions of the missions are presently carried out. Moreover, it is not intended that the missions should discuss matters of commercial arrangements with American companies arising out of replacement programs in such detail as to violate any confidences of American business concerns. Rather, such matters as general programs, the nature of the arrangements being made to insure a freely competitive market, and so forth, would be proper subjects for consultation.

The Department will be glad to receive such comments on the subject of this instruction as the missions may care to make.

Very truly yours, For the Secretary of State:
DEAN ACHESON

740.23112RP/22

The Chargé in Peru (Butler) to the Secretary of State

No. 8764 LIMA, January 11, 1944.
[Received January 18.]

SIR: I have the honor to refer to the Department's Circular Instruction dated December 7, 1943 (File No. 740.00112 RP/3).

The question raised in this Instruction has been the subject of many conversations with influential business men and officers of the Peruvian Government. These people almost unanimously held and expressed the belief that the elimination of Axis companies and their replacement by nationals could be effected without seeking financial or managerial assistance outside the usual commercial channels. The Embassy has always shared this opinion and gave expression thereto in Despatch No. 3002 of March 3, 1942 and Despatch No. 7445 of July 24, 1943.[12]

Local controls over spear-head Axis enterprises have been applied loosely and slowly, but there has never been much doubt that eventually they would all be replaced by national interests. The Supreme Decree of April 10, 1943 decreed that after May 31, 1943 the properties of Axis subjects which had not already been transferred to Peruvian nationals by direct negotiation would be subject to expropriation by the State. In the opinion of the Council of Economy this decree itself is defective because it recognizes the procedure of putting all cases of expropriation and forced liquidation through the usual legal channels which according to officials of the Council could never achieve the desired results because normal legal processes can not successfully be employed in the solution of emergency measures. This is the reason given by the Council and Superintendency[13] for failure to expropriate and liquidate Axis organizations under the said decree.

According to Dr. Aramburu[14] and Dr. Garcia Sayan[15] there is in preparation at the present time a new Supreme Decree which will empower the Council and Superintendency of Economy to force the prompt dissolution of Axis companies without recourse to the civil courts, and it is therefore hoped that progress in the elimination of

[12] Neither printed.
[13] The Superintendency of Economy operated through a Council and under the Ministry of Finance and Commerce. Its chief function at this time appears to have been the handling of Axis assets.
[14] José Felix Aramburu, president of the Council of the Superintendency.
[15] Superintendent of Economy.

Axis enterprises may soon be accelerated. In any case, the delay which has heretofore characterized the Peruvian Government's administration of existing legislation has not been caused by any lack of financial resources or of appropriate technical or commercial personnel.

The Department's policy fostering consultation between American and British Missions on matters of replacement is understood, but it is not thought that any problems will arise in Peru which will indicate the necessity of outside assistance and consequently that such conversations as the Embassy may have with the British Legation on this subject will be limited to the general over-all policy as defined in the Instruction under acknowledgement.

Respectfully yours, For the Chargé d'Affaires a.i.,
JULIAN GREENUP
Counselor for Economic Affairs

740.23112 RP/17 : Airgram

The Acting Secretary of State to the Chargé in Peru (Butler)

WASHINGTON, February 10, 1944—6 p. m.

A–98. Reference your despatch no. 8679 of January 3, 1944,[16] concerning the present status of Peruvian controls of Axis commercial and industrial activities, which contains a specific question for the Interdepartmental Proclaimed List Committee concerning the possible deletion from the Proclaimed List of Peruvians of Japanese origin.

The Interdepartmental Proclaimed List Committee considered this question at its meeting on February 2, 1944 and came to the following conclusions. It is assumed that the Embassy does not contemplate a general review of Japanese names on the Proclaimed List with a view to recommending deletion of all those against whom there is no evidence of pro-Axis activities. The Committee is prepared to consider the name of any Peruvian of Japanese origin for deletion from the Proclaimed List on a case by case basis if there is a prima facie case for deletion and the desirability of such action is suggested by the Superintendency of Economy or otherwise comes to the attention of the Embassy.

The question in the despatch under reference concerning the investment of frozen funds in land, buildings, and Peruvian government bonds is receiving the consideration of the Department and Treasury and will be the subject of a subsequent instruction from the Department.

STETTINIUS

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[16] Not printed.

740.23112A/180

The Chargé in Peru (Butler) to the Secretary of State

[Extracts]

No. 9069 LIMA, February 21, 1944.
[Received March 7.]

SIR: In continuation of despatch No. 8898 of January 27, 1944,[17] I have the honor to describe briefly the progress of conversations during the last few weeks and the present apparent status of our campaign for a comprehensive and rapid round-up of violators of the Peruvian and Allied trading-with-the-enemy regulations.

. . . . . .

Among the new and excellent features of the proposed new law the following are outstanding:

Every kind of Axis property is subject to expropriation, including the participation of Axis subjects in other businesses.

Sales of Axis property since December 8, 1941, or even before that date, are subject to reexamination and possibly to nullification and expropriation.

Commercial and legal existence is to be extinguished.

Patents, trade marks, licenses and every class of exclusive or other right are to be cancelled and annulled.

All costs of applying the measures are to be charged to the Axis firms.

Foreigners may not hold powers of attorney for those subject to restrictions.

Law 9810 nullifying naturalization in Peru may be invoked as required.

It is hoped full confirmation of the foregoing will be possible at an early date.

Practically all consulted seem to agree that the German Transatlantic Bank has been extinguished legally as well as commercially. The Superintendent of Banks reports the following concrete progress: All employees have been dismissed; the bank's shares in the Caja de Depósitos have actually been sold (for S/1,000,000) to the Peruvian Government for subsequent resale to Peruvian banks under authorization of a Supreme Resolution, dated January 28, 1944; the building and equipment in Lima are to be sold shortly—as soon as the legal documents are completed—to the Mortgage Bank for S/800,000 and about S/200,000 respectively; and the branch in Arequipa, formerly rented by the Germans, is to be taken over soon by the Agrarian Bank. Current announcements by the Superintendent of

[17] Not printed.

Banks in the newspapers require all persons having claims against the German bank to present the same before May 22, 1944.

. . . . . .

Respectfully yours, For the Chargé d'Affaires a.i.
JULIAN GREENUP
Counselor for Economic Affairs

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710 Consultation 3 A/642 : Telegram

The Chargé in Peru (Butler) to the Secretary of State

[Extract]

LIMA, February 22, 1944—4 p. m.
[Received February 23—3:49 a. m.]

239. A meeting of the officers of the Embassy information center had been held to discuss the question of subversive activities in order to reply to the Department's confidential telegram No. 174, February 17, 8 p. m.[18] This group of officers represents the political and economic sections of the Embassy and the offices of the Military, Naval and Legal Attachés.

It was the opinion of those present that the record of Peru as concerns the control of Axis activities is a good one particularly in view of the complexity of the problem and the fact that Peru is not at war with the Axis Powers. The weak points in the situation in Peru arise from political factors, corruption and the poor administration of existing laws and regulations. The Peruvian Government also does not consider that Spain or the Falange are involved in subversive activities; and there is a tendency to be cautious in the control of influential Germans and Japanese. Following paragraphs refer to topic headings employed by the Committee for Political Defense.[19]

(*a*) *Control of dangerous aliens.*

(1) Registration of aliens. There is compulsory registration of all aliens in Peru. Some of this registration takes place in the provinces so that it is difficult to obtain a check in Lima of all aliens registered in the country. The principal problem is to obtain effective and honest administration of existing regulations.

(2) Detention and expulsion. The Peruvian Government has already deported to internment camps in the U S many hundreds of dangerous German and Japanese nationals. Peruvian political protection and corruption among Peruvian officials have been adverse

[18] Not printed; it requested a report on problems concerned with Axis aliens and security measures (710 Consultation 3A/642).

[19] The Emergency Advisory Committee for Political Defense meeting at Montevideo; for correspondence on United States participation in its deliberations, see pp. 1 ff.

factors. However Peruvian cooperation has been greatly increased during the past few months. It is doubted if detention camps could be honestly or efficiently operated in Peru. Something might be done to remove Japanese nationals from strategic areas and to relocate them permanently in other parts of the country.

(3) Axis organizations. German and Japanese schools, clubs and organizations have been substantially controlled by the Peruvian Government. The deportation of dangerous Axis nationals especially school teachers all aided in this program. However the Ursuline school still operates and since it is run by Catholic Nuns the Government has been reluctant to close it. Little or nothing has been done with respect to Italian or Spanish organizations although this is not considered of special importance.

(*b*) *Prevention of abuse of citizenship.*

It is not believed that much has been accomplished in this field. While naturalization proceedings now are centered in Lima they are secret and it is difficult to obtain information regarding them. There has been scandal and corruption. It is suspected that some applications for naturalization of Germans and Japanese have been predated in order to evade existing legislation. While some naturalized Peruvians born in Axis countries have been deported the Embassy has no record of cases in which naturalized citizens have been deprived of their Peruvian citizenship because of subversive activities. Also in economic warfare work the Peruvian officials take a legalistic attitude and do not usually proceed energetically against naturalized Peruvians even though they are of German or Japanese birth.

(*c*) *Transit across national boundaries.*

(1) Entry of persons. There is fairly strict and effective control. All visas for entry into Peru must be approved by the Ministry for Foreign Affairs. There also is some check on the country of birth of applicants even though they may be naturalized citizens of one of the American Republics. The situation appears to be generally satisfactory.

(2) Exit of persons. There is even more strict control over the exit of persons from Peru than over the entry into Peru. While this may be due principally to administrative control in connection with tax payments, etc., the result is that it is difficult to leave the country without the knowledge and permission of the Government.

(3) Clandestine crossing of frontiers. It is very probable that border patrols along the Ecuadoran, Chilean, Bolivian and Brazilian frontiers are not effective in preventing clandestine crossings. However it is believed that contraband rather than passengers are involved in clandestine crossings. Registration upon entry into a country is general throughout Latin America which tends to provide a control over clandestine crossings of frontiers by persons.

(*d*) *Acts of political aggression.*

(1) Protection of ships and port facilities. It is believed that the Peruvian Navy in cooperation with our own naval authorities have this under satisfactory control.

(2) Protection against sabotage. The Peruvian Government accepted the assistance of agents of the FBI in plant protection surveys. Copies of the recommendations have been made available to the Peruvian Government. There is laxity on the part of Peruvians engaged in the protection of railroads, bridges and other vulnerable points. Remedial action would be to urge the Peruvian authorities to maintain their vigilance and to carry out the recommendations regarding protection against sabotage even though the danger seems to be decreased. Japanese should be removed from strategic areas and there should be a constant guard against possible surprise or fanatical action on the part of the Japanese especially as the tide of war increasingly goes against them.

(3) Control of communications. Telecommunications with the Axis Powers were closed long ago and censorship exists. There is a haphazard censorship of international mails. The control of amateur radio stations is fairly effective. Many telephones of Axis nationals have beeen removed. Censorship of local telephone calls is ineffective but all international calls are monitored including those to and from Spain. There is little control over internal telegrams although messages sent in any language other than Spanish pay a double rate and are delayed for 24 hours which results in some degree of control of subversive activities directed against other American Republics. While Peru has no legislation similar to that of Uruguay and Chile the general program of control of Axis interests and activities in Peru has been directed toward hemisphere security.

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BUTLER

740.23112 RP/35

The Secretary of State to the Ambassador in Peru (White)

No. 3353 WASHINGTON, June 21, 1944.

The Secretary of State refers to the Embassy's despatches no. 11 and no. 12 both of April 4, 1944,[20] concerning the appointment of a new Superintendent of Economy and the enactment of Peruvian Law no. 9952, establishing the procedure for the nationalization of Axis properties.

The Department has noted with interest the appointment of the new Superintendent and the enactment of this law since these facts

[20] Neither printed.

are an indication of revitalization of Peruvian economic warfare activities. However, the Department is inclined to agree with the Embassy that the deficiency of Peruvian economic warfare activities has consistently been the faulty administration of the control laws rather than the lack of legislation. It is therefore hoped that the new Superintendent will be able to overcome any pressure which might deter him from vigorously administering the control legislation.

Despatch no. 11 indicates that the Department will be furnished with the Superintendent's program as soon as it is made known to the Embassy. It is suggested that the Embassy informally stress to the new Superintendent that at this stage of the war the best approach would be to concentrate on the elimination of the important Axis spearheads; such as, Ferrostaal A. G., Compañía General de Anilinas S. A., La Química Bayer S. A., and other spearheads of Axis penetration. If the new Superintendent follows the policies of his predecessors, he is apt to become so involved in the elimination of firms of minor importance that the elimination of the important spearheads is unlikely to be achieved in the immediate future. In view of the Department's interest in obtaining the elimination of the major interests, the Department was gratified to note the progress made in the elimination of the Banco Alemán Transatlántico, reported in despatch no. 12.

On page 3 of despatch no. 12 it is stated that the funds resulting from the proposed transfer of Fábrica Nacional de Levadura "Arriba" will not be frozen since none of the directors are on the Proclaimed List and are not known to be active Axis agents. The reasons given for the plan not to block the proceeds of the transfer are not clear to the Department. It would appear that the following provisions of Peruvian law, although leaving the Superintendent of Economy some discretion in the matter, provide ample basis for blocking the proceeds of the proposed transfer: Article 4, Section (*f*) of Law no. 9586 of April 10, 1942; Article 2, Section 3 of the regulations of April 15, 1942 for the fulfillment of Law no. 9586; and Article 4 of the regulations of May 20, 1942 for the fulfilling of the Decree of April 10, 1942. The Department would appreciate a report concerning the general practice followed by the Peruvian authorities with respect to the freezing of the proceeds of liquidation. In this connection, reference is made to Recommendation no. 7, Section 1 (*d*) of the Washington Resolutions [21] which calls for the effective blocking of the proceeds of the sale of transferred properties and rights, the profits accruing from intervened or supervised businesses, and the funds derived from total liquidation.

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[21] For text of this Recommendation, see *Final Act of the Inter-American Conference on Systems of Economic and Financial Control*, p. 20.

740.23112 RP/17

The Secretary of State to the Ambassador in Peru (White)

No. 3361 WASHINGTON, June 26, 1944.

The Secretary of State refers to the Embassy's despatch no. 8679 of January 3, 1944 [22] concerning the present status of Peruvian controls on Axis commercial and industrial activities and the proposed sale by Cie des Mines de Huarón of undeveloped Lima real property to Mr. Ewald Hillmann.

This despatch raises the general problem of the Department's attitude toward the investment of frozen funds of enemy nationals in land, buildings, or government bonds issued by the Peruvian Government. It is understood that any such investments which may be made will remain under freezing controls as would any interest on bonds or other securities.

The question of the post-war disposition of frozen or controlled funds of enemy nationals is one which has not as yet been settled in the United States. It is also believed that this problem has not been settled in Peru or in the other American Republics. Without attempting to indicate what may be the eventual disposition of the funds belonging to nationals of enemy countries, it may be observed that a highly desirable attribute of such funds is liquidity. Should such funds be required for special purposes, ability to convert the form in which the funds are held into cash or stable and negotiable securities will be highly important.

It, therefore, seems undesirable that frozen funds should be invested in such properties as land or buildings. There does not, however, appear to be any harm in permitting the investment of such funds in prime stocks and bonds of a type that have a ready market. This would include stocks and bonds of large corporations organized under the laws of the country involved, as well as bonds issued by the government or political subdivisions thereof. In the case of securities issued by corporations, it would seem desirable to confine purchases for any one account to a nominal percentage, say three per cent, of the particular issue involved. This would prevent the enemy national from acquiring a substantial interest in any corporation, but would still leave the funds in a liquid condition. For your information, in connection with investments of this nature, Treasury's policy in similar cases would require that such investments be licensed to assure that they are not made pursuant to directions from an enemy interest outside of the United States subsequent to

[22] Not printed.

the time when the funds involved in such investments were considered as having an enemy national interest.

The Treasury Department's policy regarding the investment of funds of firms about to be vested has been by and large to deny such applications, although if the request is to purchase United States Government issues or other high class investments the application would probably be approved. Applications to purchase real estate or other types of property difficult to dispose of would be denied. One of the purposes of this policy is to protect the position of the Alien Property Custodian in order to enable the Custodian to use the assets of the firm being vested as he deems desirable.[23] When a firm is vested the funds cease to be blocked funds, the title is in the United States Government, and the former owners are entirely divested of their title. The officers of the firm are under the control of the Alien Property Custodian, the Office of the Alien Property Custodian places its own officers in the company, and the use of the company's funds is left entirely to the judgment of these officers. There are no restrictions on the use of these funds. If the Alien Property Custodian should decide to liquidate the vested firm, the proceeds of the liquidation would be placed in the general fund of the Treasury and an account of the money would be kept. There would be no question in such a case whether the original owners should be permitted to invest the money in United States Government bonds or other securities since the title to the funds no longer resides in the original owners but in the United States Government; and moreover, since the Government has use of the proceeds of the liquidation by virtue of their being deposited in the general fund, there would be no need for investing them in Government bonds in order to make them available to the Government. If after the war any original owners should succeed in establishing a claim to the proceeds of the liquidation, the Treasury Department presumably would pay accrued interest on the money since it had had the use of the money for the period of time that it was in the general fund.

The Embassy is authorized in its discretion to communicate the foregoing views to the appropriate officials of the Peruvian Government. The Department has noted the recent developments in the custody, investment, and possible eventual disposition of blocked funds reported in the Embassy's despatches no. 8871, no. 12, and no. 388 of January 25, April 4, and May 24, respectively.[24]

[23] Marginal notes in the original indicate that the instruction up to this point was based on information derived from Treasury Department officials; that from this point to end of paragraph, it was based on information from the Office of the Alien Property Custodian.

[24] None printed.

740.23112 RP/7–1244

The Ambassador in Peru (White) to the Secretary of State

No. 840 LIMA, July 12, 1944.
[Received July 18.]

SIR: I have the honor to inform the Department of the progress that has been made toward the final liquidation of Axis interests in Peru. The Embassy has received from the Superintendent of Economy a copy of his report on the work of the Superintendency up to June 30, 1944 which was prepared for enclosure in the President's forthcoming address on the state of the nation. The contents of this document are summarized in the following numbered paragraphs:

(1) Peruvian citizens have acquired by direct negotiation 136 Japanese properties and 35 German properties, or a total of 171 Axis properties valued at S/11,899,087.44, and 70 agricultural contracts valued at S/2,505,416.27.

(2) The expropriation of 101 Axis properties has been ordered and the corresponding auctions decreed, the base value of these being S/1,048,850.39.

(3) The system of interventions is now being abandoned and 94 have already been ended, 57 by transfer of the corresponding business to Peruvians, 24 by total liquidation, and 13 by official expropriation.

(4) There are still under intervention 85 industrial and commercial organizations with property assets of S/2,310,370.84 and cash in banks of S/1,162,704.03.

(5) There are 26 businesses under administration with property assets of S/2,370,358.58 and cash in banks of S/668,693.24.

Thus the Axis businesses still under intervention and administration have cash and property assets, which upon final liquidation will be deposited in the Caja de Depósitos y Consignaciones, of S/6,233,126.69.

(6) The Dependencies of the Peruvian Government have acquired two former Axis properties. The Ministry of War has bought the Factoria Nacional S.A. (P/L) [25] and the Banco Industrial has acquired the Fábrica de Artículos de Jebe Kawai.

(7) The Caja de Depósitos y Consignaciones has received from the Superintendency of Economy cash and securities valued at S/14,355,635.25 which added to the amounts turned over to the Caja by commercial banks under orders of the Superintendency brings the total of Axis funds held therein up to S/20,933,096.74.

Respectfully yours, For the Ambassador:
JULIAN GREENUP
Counselor for Economic Affairs

[25] Proclaimed List.

740.23112 RP/8–2844

The Ambassador in Peru (White) to the Secretary of State

No. 1236 LIMA, August 28, 1944.
[Received September 1.]

SIR: I have the honor to refer to the Department's confidential instruction No. 3353 of June 21, 1944 (File No. 740.23112 RP/35) chiefly concerning the new Superintendent of Economy then recently appointed by the Peruvian Government and Law No. 9952 establishing procedure for the nationalization of Axis properties, as had been reported in the Embassy's despatches Nos. 11 and 12, both of April 4, 1944.[26]

The Department is already familiar with the relatively encouraging progress made by the new Superintendent, Sr. Wilfredo Pflücker, in expropriating Axis businesses and putting them up for auction as provided for by Law No. 9952. He has, to be sure, continued to harry the little firms as his predecessors did before him, but he has also managed to bring such spearheads as Ostern & Co., Ferrostaal and Anilinas, to mention only a few, to the point of auction and beyond.

One thing he has not been able to accomplish, however, is to reverse the previous procedure of considering a Peruvian citizen, and to some extent citizens of other non-belligerent countries, as excluded from the effects of the various economic warfare laws including Law No. 9952, and it matters not whether the Peruvian citizenship has been acquired by birth or naturalization. Even a Japanese generally obtains specific immunity from the aforesaid laws upon proof that he has become a Peruvian.

There was some thought when Pflücker first assumed office that he might extend the application of the laws beyond the mere question of nationality by following the Allied Lists or by *ad hoc* attention to serious cases or by invoking more often the law providing for annulment of naturalizations where subversive persons of Axis nativity were concerned, but such has not been the general result of his otherwise very laudable exertion.

Hence the question raised by the last paragraph of the Department's instruction No. 3353 under reference can now be safely answered by saying that the cited portions of Law No. 9586 and other regulations dating from April 1942 are not interpreted by the present authorities as either requiring or permitting the freezing of the proceeds

[26] Neither printed.

of transfer of the Fábrica Nacional de Levadura "Arriba", because the recipients of the money were Peruvian citizens and non-listed citizens of neutral countries (Spain in this case).

The "Arriba" case has been a most complicated affair, and the Embassy has not been in the strongest possible position throughout, for several reasons. Arriba's only rival is the American Fleischmann factory, which Arriba skillfully portrays to the public as an oppressive foreign monopoly protected by the American Embassy. The Banco Industrial (official government institution) has been involved financially and has therefore been so anxious to keep Arriba running that it has harbored Carbonell and winked at sales of yeast to Japanese bakeries. We have refrained from placing all Japanese bakeries on the Proclaimed List, as the Department fully understands, both because of their great number and because it served as a bargaining point in urging the Peruvian authorities to nationalize the baking industry. Despite repeated assurances over the past two years and more, the government has not even yet fully succeeded in bringing about this nationalization. To force Fleischmann under these conditions not to sell to the numerous non-listed Japanese bakers has been to give Arriba a monopoly over a very considerable volume of business. It has been tried twice without much benefit to any but Arriba. Hence a short time ago, when Fleischmann convinced us again that the new owners of "Victory" (as Arriba is now called) were breaking their pledge and were again selling to Japanese, there seemed no choice but to consent to the same for Fleischmann for the time being.

Superintendent Pflücker has now informed the Embassy orally that the Japanese have at last been all but eliminated from the bakeries in his drive against them dating from May 1944 to the present. While we have not yet received detailed formal notice of the same, there is reason to believe that his statement is accurate. It may therefore be possible to close the Arriba case definitively within a month or two.

Respectfully yours, For the Ambassador:

JULIAN GREENUP
Counselor for Economic Affairs

840.51 FC 23/9–1244

The Ambassador in Peru (White) to the Secretary of State

No. 1393 LIMA, September 12, 1944.
[Received September 18.]

SIR: I have the honor to refer to Circular No. 375 issued by the Superintendent of Banks under date of September 7, 1944, for the

purpose of bringing under the control of the Superintendency foreign exchange operations effected by money exchange houses ("casas de cambio").

The circular, which is enclosed in Spanish text as Enclosure No. 1 and in free translation as Enclosure No. 2,[27] was directed by the Superintendency to the various money exchange houses in and about Lima. It is prefaced by a Ministerial Resolution dated September 1, which recites in substance that the Superintendency is in charge of the regulation of exchange operations which may be done with "Axis countries or countries occupied by the Axis or neutral countries"; that norms which were established earlier to control such operations when effected by banks did not hinder normal banking business; that persons and entities are engaging in exchange operations which in effect circumvent the application of said norms, and that it is convenient to make the norms applicable to such business; otherwise, this "may give way to the escape of funds to the benefit of the enemies of the United and Associated Nations". The Superintendency of Banks is then authorized to regulate operations of purchase and sale of foreign exchange and of drafts to foreign countries and from abroad which may be effected by "those entities or persons who dedicate themselves to that class of operations"; and is instructed to apply the norms contained in Circulars No. 319 and No. 329, as also the pertinent provisions of the Banking Law.

[Here follow details regarding exchange controls.]

Respectfully yours, For the Ambassador:
JULIAN GREENUP
Counselor for Economic Affairs

740.23112 R.P./11–1044

The Ambassador in Peru (White) to the Secretary of State

No. 1912 LIMA, November 10, 1944.
[Received November 15.]

SIR: I have the honor to inform the Department of further progress toward the final liquidation of Axis interests in Peru. According to figures supplied by the Superintendency of Economy, the Government of Peru has up to November 7, 1944 placed under control the sum of

[27] Not printed.

S/40,742,054.15 derived from the liquidation of businesses and properties belonging to Axis subjects. This total is made up as follows:

Funds frozen in the Caja de Depositos y Consignaciones	S/. 28,886,237.52
The Peruvian Government's participation in the liquidation of Japanese owned cotton	2,093,624.94
Retained by the Peruvian Government in guarantee of its preferential rights under Supreme Decree of September 16, 1942	3,520,129.17
Intervention accounts in commercial banks	3,574,074.26
Merchandise and equipment of intervened firms	2,667,988.26

The Superintendency of Economy reports that the above mentioned figures correspond to 254 cases of which 194 were transferred as the result of direct negotiation; 92 were auctioned; and 68 remain under Government intervention.

Comparison of this information just received from the Superintendency with that which formed the basis of the Embassy's Despatch No. 840 of July 12, 1944 shows that material progress has been made in the elimination of Axis interests and the freezing of their assets. The amount frozen in the Caja de Depositos y Consignaciones has for instance increased by approximately S/8,000,000 since the former report was made. No estimate of the probable total value of all Axis holdings has yet been made but it cannot be very much larger than the sum already mobilized by the Superintendency.

Respectfully yours, For the Ambassador:

JULIAN GREENUP
Counselor for Economic Affairs

DISCUSSIONS OF THE PERUVIAN FOREIGN DEBT[28]

823.51/1521 : Telegram

The Chargé in Peru (Patterson) to the Secretary of State

LIMA, January 9, 1944—9 a. m.
[Received 12:15 p. m.]

40. The Finance Minister[29] has informed Bondholders Protective Council responsive to their telegram of December 17 referred to in the Department's instruction 2973, December 23, 1943,[30] that he would

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[28] Continued from *Foreign Relations*, 1943, vol. VI, pp. 745–758.
[29] Julio L. East.
[30] *Foreign Relations*, 1943, vol. VI, p. 757.

be ready to begin conversations in January. He has now completed the budget work and having received no notice from the Council plans to be in the country for a rest between January 11 and 20th unless Council intends to have a representative here during that time. If the visit of the representative is scheduled for January 20 or thereafter a reply to this message will not be necessary.

The Minister indicated that no plan for the expected conversation had been made but that the conversations themselves would be to develop basic proposals.

PATTERSON

811.71223/68 : Airgram

The Acting Secretary of State to the Chargé in Peru (Patterson)

WASHINGTON, February 29, 1944—7 : 30 p. m.

A–152. Your airgram A–43, January 13, 5 p. m.[31] and previous correspondence concerning Public Works Bonds offered by the Government of Peru in payment of the postal debt owed to the Post Office Department.

A letter dated February 22, 1944[31] has now been received from the Acting Postmaster General,[32] the pertinent portion of which is quoted hereunder:

"In view of the conditions indicated in the communication from the Embassy of January 13, it is desired that the Embassy be requested to take firm action in the matter of collecting the amount of the debt."

From informal conversations with officials of the Post Office Department it is believed that this decision was reached as a result of the Embassy's recommendation that firm action be taken "toward collecting the full amount in this case, with interest, and without reductions".

You are requested therefore to advise the appropriate Peruvian authorities that this Government does not find it possible to accept the arrangement suggested by the Finance Minister of Peru, as set forth in the Embassy's despatch no. 7665 of August 20, 1943,[31] for the payment of the account in Public Works Bonds having a par value of $308,000, the amount of the debt, to be sold over a period of time by this Government. You may advise the officials concerned that this Government must insist upon payment, with interest, and without reductions, of the full amount of the debt. You may point out that this matter is one of long standing, that the amount of

[31] Not printed.
[32] K. R. Aldrich.

money involved is comparatively small, that the Post Office Department is most desirous of settling the question, and that this Government will appreciate it greatly if payment may be made in the near future. You are also requested to advise the Department of the result of your action.

STETTINIUS

811.71223/71

The Chargé in Peru (Patterson) to the Secretary of State

No. 9239 LIMA, March 15, 1944.
[Received March 28.]

SIR: Referring to the Department's airgram No. A–152, dated February 29, 1944, I have the honor to report that the topic was discussed with Finance Minister East on March 8.

The views of the Department and of the United States Post Office Department were communicated to him, together with other arguments of the class Mr. East has advanced in explaining to us why he is unable to comply with our requests. A summary of the main points is given in the attached copy of a letter[34] which was handed to the Minister.

The Minister understood our position clearly, but did not know how he would obtain the funds necessary to repay the $308,000, since there is no budgetary provision for that item. When it was recalled that we had suggested the convenience of making such a provision at the proper time several months as well as a few years ago, he remarked that this government unfortunately is burdened with heavy obligations incurred by previous cabinets. Mr. East nevertheless recognized that these debts represent continuing obligations of the Peruvian people, and stated he would consult the President[35] with the object of determining what could be done.

In the same conversation the Minister stressed the importance of renewing the Overall Metals and Minerals Agreement[36] and of receiving a special financial donation from the Goodyear Tire and Rubber Company in addition to the normal taxes and charges collected from industries in general.

In the event that the Department wishes to approach all of these

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[34] Not printed.
[35] Manuel Prado Ugarteche.
[36] For correspondence on the renegotiation of this agreement, see pp. 1518 ff.; for previous correspondence on negotiation of the agreement and draft text, see *Foreign Relations*, 1943, vol. VI, pp. 735 ff.

problems in a friendly trader-to-trader fashion, a number of possibly useful suggestions will be found in the despatches cited below: [37]

No. 8983, of February 7, 1944
No. 9116, of February 25, 1944
No. 9232, of March 15, 1944
No. 3217, of March 28, 1942.

Respectfully yours, For the Chargé d'Affaires a.i.:
JULIAN GREENUP
Counselor for Economic Affairs

811.71223/72

The Chargé in Peru (Patterson) to the Secretary of State

No. 9386 LIMA, March 31, 1944.
[Received April 11.]

SIR: I have the honor to report the following observations by Finance Minister East regarding the national dollar debt and the postal debt which, having been made spontaneously in a conversation regarding another subject, may be of some significance.

After Dr. Bateman of the Foreign Economic Administration [38] had departed from a dinner given by the Finance Minister, Mr. East remarked that the next important American visitor no doubt would be Mr. Rogers, representing the Foreign Bondholders Protective Council. After some hesitation, he stated that he had studied the question of amortization and servicing and felt himself in a complete quandary as to what he was going to say to Mr. Rogers; that Peru does not have adequate dollar exchange on hand nor any prospect of obtaining sufficient sums; and that he simply would have to describe the factual situation to Mr. Rogers and hope that Peru's position would be fully understood. He described himself as unable to entertain any expectation of a settlement other than upon the most reduced scale, and even then it is certain financial difficulties will be encountered.

In reply to these statements it was suggested that there are many methods of obtaining funds and that certainly no insurmountable difficulty exists if there is a willingness to meet the obligations. It was mentioned also that Peru really ought to take up and solve this problem without further delay, in the best interests of Peru, since many foreign capitalists are interested in investing here but refrain from doing so in view of Peru's record of rejecting settlements or of insisting upon drastic reductions. He really appeared to agree heartily with the thought that the expansion of Peruvian industry through the participation of foreign capital during the next ten years or so would more than compensate for any sacrifice in meeting the outstand-

[37] None printed.
[38] Alan M. Bateman, Assistant Director, Foreign Procurement and Development Branch.

ing obligations, but even so, he said, the Peruvian Government has simply been unable to devise means to obtain the necessary funds. He considered it impossible to float an internal loan for the purpose or to curtail projects for the expansion of industries, public works and transportation. It was mentioned that the budget of revenue is increasing rapidly from year to year and that even without diminishing the present degree of activity, the debt could be cared for. He doubted very much if Congress and the public could be brought to that viewpoint but added that it is a question for the Congress to decide.

The Minister stated that the Embassy's letter of March 7, 1944,[39] regarding the postal debt, referred to in despatch No. 9239 of March 15, 1944, was logical and easily understandable, but added that no funds are available for immediate payment and that his only recourse is to include a sufficient appropriation in the coming budget on which he is now working and which will be submitted at the proper time for the approval of Congress. He regretted that the American Government could not accept bonds at par, as he had received permission to settle by that plan.

The Minister's statements represent nothing new apart from a recent confirmation of the old Peruvian attitude toward the debt question. Presumably the situation will remain the same so long as our methods of oral persuasion and free giving prevail over the system of bargaining to which the Peruvians are accustomed except when dealing with the United States.

The continuingly generous, even if meritorious from a political or social standpoint, expenditure of funds in Peru by other agencies of the United States Government naturally encourages the belief among the Peruvians that our Government is really more interested in contributing to Peru's welfare than in pressing for the payment of Peruvian obligations to the United States.

The over-all metals reserve agreement soon will be up for consideration, and if it is extended without any attempt to impress upon the Peruvians the necessity of taking concrete action with reference to the debts herein referred to, it is felt that the Peruvians will conclude that only a few Embassy officers and officials in the Department are promoting the idea of debt settlement.

The Department will be interested in learning that a few days ago, when Dr. Bateman discussed with the Peruvian businessmen and officials interested in the mining industry, the question of increased prices to offset wage increases in the mining industry was brought up by Deputy Manuel Llosa. When Dr. Bateman informed the group that there was no possibility of such a development, Mr. Llosa inquired if it would not be possible for some of the other agencies of the Amer-

[39] Not printed.

ican Government interested in the "Good Neighbor" policy to make up the difference.

In making these observations the Embassy's only purpose is opportunely to point out practical methods of bringing about really serious consideration by the Peruvians of outstanding debts and claims due the United States and American interests. The Embassy is still uninformed as to whether it has ever been the Government's policy to use the procurement and service agreements as instruments for promoting the solution of the debt and other problems.

Respectfully yours, JEFFERSON PATTERSON

823.51/1544

The Ambassador in Peru (White) to the Secretary of State

[Extracts]

No. 143 LIMA, April 24, 1944.
[Received May 1.]

SIR: I have the honor to refer to the Embassy's despatch No. 87 of April 17, 1944 [40] regarding the visit of Mr. James G. Rogers, representing the Foreign Bondholders Protective Council, and to submit the following brief comments, together with enclosures [40] pertaining to the first two conferences on Peru's dollar debt to the United States, in order that the Department be in possession of complete information on this important matter.

Finance Minister East's statements in the first two meetings contain no indication that the debt problem is much if any nearer solution now than it has been in recent years. The Embassy's telegram No. 524 of April 20, 6 p. m.,[40] for the Bondholders Council from Rogers, summarizes the discussion during the second meeting (Enclosure No. 2) and contains Mr. Rogers' comment, in which the Embassy concurs, that the Minister conveyed the impression Peru feels no obligation or necessity for much effort and that he appears to be preparing the ground for a very limited proposal, if any.

In fact, Mr. East's third point at the bottom of page 3 of Enclosure No. 2 would seem to prove that it is even more distant, since the Minister asserted that repayment to the United States for Lend-Lease material must take precedence over the debt settlement.

His first and second points on the same page alone would probably defer any satisfactory settlement of the debt to some future period—available foreign exchange will be applied first to paying for the needed importations of foreign goods and secondly to the replacement of capital goods worn or made useless during the present war. In the most favorable circumstances no settlement can be achieved for several

[40] Not printed.

months, according to Mr. East's statements that a special commission and then Congress (which does not assemble until the end of July) must give their approval. Arrangements have been made for Mr. Rogers to meet with the members of the Senate and House post-war planning commissions on April 27.

. . . . . .

On April 23 Mr. Moreyra [42] remarked that Peru's failure to attend to the postal debt had bothered him to the extent that he discussed it with the President on the 22nd and had been told the President had decided to settle it. No date was specified.

Further details will be submitted as the conversations proceed in order that the Department may be aware of current developments.

Respectfully yours, J. C. WHITE

823.51/1547

The Ambassador in Peru (White) to the Secretary of State

[Extracts]

No. 185 LIMA, April 27, 1944.

[Received May 10.]

SIR: Continuing despatches Nos. 87 [43] and 143, dated April 17 and April 24, 1944, respectively, regarding the conferences between Finance Minister East and Mr. James Grafton Rogers, of the Foreign Bondholders Protective Council, on the Peruvian dollar debt problem, I have the honor to submit enclosures [43] outlining the course of the conversations in the third and fourth meetings which were held on April 24th and 27th in the Central Reserve Bank. The memoranda and the statistical tables enclosed are for the most part self-explanatory.

An entirely new development, so far as is known to the officers now serving at this post, is that Finance Minister East, during the meeting of April 24, came to the defense of all former Finance Ministers and Peruvian Government officials responsible for handling the debt question. This, no doubt, emanated from various conversations in recent months in which it was brought out that Peru's friends abroad naturally look upon the present, as well as any preceding Peruvian Government, as duly authorized representatives of the nation; that the debt problem represents accumulated obligations for which all of the Peruvian people are responsible; and that if we were to adopt any other style of reasoning we could say that all of the recent treaties, conventions and agreements between the United

[42] C. Moreyra, Minister of Public Improvements and Works.
[43] Not printed.

States and Peru automatically would lapse in the event that the incumbent President of the United States is not re-elected.

. . . . . .

By way of summarizing the first four meetings, reference may be made to Mr. Rogers' statement in the Embassy's telegram No. 524, dated April 20, 6 p. m., 1944,[44] that the Finance Minister appears to be preparing the way for a very reduced offer of settlement, if any. It is clear that his whole verbal and statistical presentation so far points to the idea of utter impossibility. This, of course, is the Peruvian method of preparing the way. The Peruvian system of negotiating would call for a summation in the final moments of the so-called facts undeniably illustrating the impossibility of doing anything, followed by a magnanimous offer at great sacrifice of practically nothing. After all of this is done, Mr. East then no doubt will recall his initial statement that any tentative understanding reached with him must be submitted to the committee, which Mr. David Dasso [45] has now informed us is composed of Dr. Francisco Tudela,[46] Foreign Minister Solf, Mr. Pedro Beltrán, Mr. David Dasso, Finance Minister East, ex-Finance Minister Benjamín Roca, and Mr. Clemente de Althaus, Vice President of the Central Reserve Bank. Should the committee agree to Mr. East's proposal, it would then have to be submitted to the Congress, which does not convene until July 28.

. . . . . .

Respectfully yours, J. C. WHITE

823.51/1546 : Telegram

The Ambassador in Peru (White) to the Secretary of State

LIMA, May 8, 1944—6 p. m.
[Received 10 : 20 p. m.]

609. For complete report on debt negotiations before May 3 see despatches 87,[44] 143, and 184 [*185*] of April 17, 24, and 27 now presumably in Washington. No. 240 of May 5 [44] left by courier 5 a. m., May 9th, fully described last meeting May 3. Believe preliminary discussions completed May 3 and proposal may be expected shortly. Another debt meeting this p. m.

East agreed that total dollar exchange available is considerably more than his first estimate; that much of accumulated tonnage import deficit will not need replacement; that Peru's budget alloca-

[44] Not printed.
[45] President of the Peruvian Amazon Corporation and at one time Minister of Finance.
[46] Head of the Commission of Foreign Economic Policy of the Ministry of Foreign Affairs.

tion for debt service far lower proportionately than most other American Republics. Notwithstanding, Embassy feel that he will not modify his basic plan as described in above despatches.

This not due to Peruvians' misunderstanding but to their past success in sidestepping obligations to United States dollar debt mentioned Department's 463, May 6, 5 p. m.,[48] postal debt and other pending cases. High ranking Peruvian officials and businessmen have openly stated that they see no impelling reason to pay money to United States simply at request of the Department and Embassy officials when other influential American officials have volunteered merchandise, loans, advances, increased prices, services, matching clauses, et cetera, totalling millions of dollars.

Much as Department's assistance will be needed for satisfactory settlement our claims, I do not believe that American Government's best talent can succeed in obtaining anything but absolute minimum if reliance is to be solely placed in appeals to reason and decency.

Before any action or declaration recommended awaiting East's offer.

Rogers concurs with foregoing.

WHITE

823.51/1548 : Telegram

The Ambassador in Peru (White) to the Secretary of State

LIMA, May 10, 1944—noon.
[Received 8:08 p. m.]

618. From Rogers to Bondholders Council. East finally at the Sixth Session held Monday presented Peru's proposal which is to divide principal amount and annual contractual service of both dollar and sterling bonds by 6½ this being number of soles currently paid for one dollar. Proposal in effect reduces principal of dollar bonds to about 13 million, with proportionate reduction on annual service, but East mentioned some readjustment of service as between issues to be negotiated and also stated that the item of four million soles for foreign debts constantly carried in current national budgets would suffice for all service. Proposal may therefore intend to cut annual service to one-tenth contractual rate if limited to amount of dollars available from budget item mentioned. Proposal cancels interest arrears. My uncertainties are due to fact I refused to discuss proposal, stating merely we would submit outline to our Government and Council but would recommend adversely, and expected prompt rejection. Meetings are adjourned pending your reply. East's arguments covered Peru's uncertain future and present exchange shortage

[48] Not printed.

as previously presented during sessions and fully reported by mail to Department but also asserted budget item was not a token account but a considered estimate of Peru's capacity while Mexican settlement and a recent National City Bank compromise on Chilean notes furnished proper precedents.[49] East refuses to acknowledge Peru's exchange holdings exceed 15 million dollars and his analogies if applicable in principle would not support proposal made. We consider proposal preposterous because reduces principal, amounts to one-third per United States minimum service capacity and acceptance would undermine status in South America of all international money obligations, past and future. The gap between Peru's insincerely supported proposal and anything deserving consideration is too great to be bridged by continued negotiations now and any practicable settlement requires a new start. I, therefore, recommend instructions to terminate negotiations politely but firmly after reviewing orally and by memorandum our reasons and analyzing deficiencies in Peru's attitude and arguments, indicating finally that if later a temporary plan would meet East's anxiety about future exchange supply we would return to negotiate one on higher rates. This last suggestion intended encourage reopening negotiations on wholly fresh basis. Recommend also that Council request the Department to request our Ambassador to support promptly our general attitude by a formal note expressing approval of our position taken. Watson [50] concurs fully in comment and policy and will try to arrange concurrent action by British Ambassador [51] but is embarrassed by his continued exclusion from conferences although discussions covered both dollar and sterling issues. We think visit not wasted as Lima now awakened to bond problem and if we make firm and clear record Peruvian Government must face criticism. Probably nothing achieved in future until our national economic policy more integrated and influence of war measures more reduced. Our Embassy especially the Ambassador and Greenup, have been unsparingly active and helpful. [Rogers.]

I concur in Rogers foregoing recommendation unless Department perceives some method of more forceful action as suggested Department's telegram no. 403 [*463*] May 6, 5 [*1*] p. m.[52] and in recent Embassy despatches.

WHITE

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[49] In omitted portion of despatch 285, May 11, 1944, *infra*, the Ambassador reported that the basis for agreement in these two cases appears to have been the use of exchange rates prevailing at the time the debts were contracted.

[50] G. M. Watson, representative in Peru of the Bank of England and of the British Council of Foreign Bondholders.

[51] Victor Courtenay Walter Forbes.

[52] Not printed; the telegram indicated apprehension that the negotiations might prove fruitless and requested information as to any other approach that might be used (823.51/1543).

823.51/1550

The Ambassador in Peru (White) to the Secretary of State

[Extracts]

No. 285 LIMA, May 11, 1944.
[Received May 20.]

SIR: I have the honor to submit herewith a memorandum [53] reviewing the principal topics in the sixth meeting on the dollar debt discussions being carried on by Finance Minister East and Mr. James G. Rogers, representing the Foreign Bondholders Protective Council, which took place on May 8 at 4:30 p. m. in the Central Reserve Bank.

Preceding despatches of the series are cited as follows for convenient reference: Nos. 87, 143, 185 and 240,[54] dated April 17, April 24, April 27 and May 5, 1944, respectively.

Despatches Nos. 239 [53] and 252,[55] dated May 5 and May 8, 1944, respectively, pertaining to the Finance Minister's insistence on renewing the Overall Metals and Minerals Agreement, contain appropriate supplementary information on the subject.

As had been anticipated in the despatches described above, Mr. East concluded his presentation with a proposal to reduce the principal of 92,602,584 dollars to an equal number of soles or, in other words, to pay one sol for one dollar. . . .

. . . . . .

Though some argue that the Peruvians are more friendly with the British, Italians and Japanese than with the Americans, citing in evidence the fact that the Peruvians served the guano loan and paid the British in cash for the Marconi communications system and the Paita dock, which were taken over by the Peruvian Government from the British, that payment in cash was made to the Italians upon expropriation of the Caproni airplane factory, and that payment of the 1940 Japanese claim for damages was effected promptly, I do not believe that this is a correct deduction from Peruvian performances in regard to our various claims. Many reliable American business men of long experience in Peru consider that many, perhaps most, Peruvians feel closer to the United States than to any other non-Latin nation.

It seems more probable to conclude that the Peruvians were attentive to the representations of those nations, because all of the interested persons and officials seemed to be acting harmoniously as though they believed in reciprocity of treatment. In other words, they knew where the governments of those countries stood.

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[53] Not printed.
[54] Despatches 87 and 240 not printed.
[55] *Ante*, p. 1522.

Their failure to know the true policy and attitude of the United States is not hard to discover, particularly during the last three or four years. But even in 1936, 1937 and 1938 Peru's sugar quota was increased after clamorous demonstrations by the Peruvians, without requiring any conditions favorable to the United States except that we did acquire a commercial commodity which could be used. There is no effort at bargaining of the sort which was then and always is expected by the Peruvians.

Is it to be wondered at that Messrs. East and Dasso, to name only two, upon various occasions have manifested evidence of their inability to determine where we stand? Practically all of the following examples have been brought to our attention by Peruvians at one time or another: Messrs. Dasso and East have advised against loans and advances to Peru, but Americans of importance have not only recommended but have insisted that they be accepted; the Commodity Credit Corporation has made efforts to purchase canned fish and the Coordinator's representative has discouraged the exportation thereof; American property has been expropriated with the support of the Rubber Development Corporation while the Embassy opposed such action; the Embassy, in administering the conservation program of the Foreign Economic Administration, has refused to certify import recommendations for certain merchandise, even when the Peruvian governmental departments have offered to pay cash, and the Lend-Lease authorities have supplied the same material without cost to Peru; the United States Commercial Company, at least toward the beginning, encouraged flax production and the Coordinator's Food Mission discouraged it; the Embassy pressed for the liquidation of Welsch y Cia. and Radio Internacional, and the Coordinator's Office issued propaganda through Radio Internacional simultaneously with advertisements by the Proclaimed List firm Welsch y Cia.; officers in Washington insisted upon matching clauses to provide better conditions for mine workers when even the Peruvian Director of Labor considered the program inadvisable; in like manner they insisted upon a labor clause in the Overall Metals and Minerals Agreement as well as in private agreements when the Peruvian Government prohibited the former and discouraged the latter; the Coordinator's Food Mission has gone on record with the statement the Peruvians ". . .[56] simply are not capable of understanding why we would be niggardly in our support of an undertaking which we initiated. . . ."; upon different occasions representatives of the United States Government have insisted on spending every cent of an appropriation because, among other considerations, if unused in whole or part it would adversely reflect on those who made the estimate and also

[56] Omissions indicated in the original despatch.

make it more difficult to convince Congress of the need of consecutive appropriations for the purpose.

There are other illustrations of this general category which, together with the foregoing, may be annotated or omitted, depending upon whether we prefer or dislike to contemplate some of the questions which come up in the minds of the Peruvians.

While presumably no permanent injury has been inflicted upon Peruvian-American relations as a result of the foregoing instances of inconsistency, it would appear that these relations have been less smooth and less beneficial to both parties, both at present and in the long run, than they would have been had all of the departments and agencies of the American Government performed with precision as a single unit, without expressing contradictory opinions and policies. These last have confused the Peruvians in recent years and at the same time enabled them to escape their obligations and avoid reciprocity. We can get adequate consideration for the debt problems and other American claims only when the United States is able to unite its interests, demands and favors in a single program, centrally executed.

Respectfully yours, J. C. WHITE

823.51/1550a : Telegram

The Secretary of State to the Ambassador in Peru (White)

WASHINGTON, May 16, 1944—6 p. m.

513. For Rogers from Munro.[58] We agree with you that proposal is totally unacceptable. We will cable about procedure after further consultation with Department. [Munro.]

HULL

811.71223/74 : Telegram

The Ambassador in Peru (White) to the Secretary of State

LIMA, May 20, 1944—3 p. m.
[Received 7 : 33 p. m.]

662. Finance Minister will pay postal debt immediately in dollars against draft drawn by me. His total confirmed in communications from Embassy dated May 10th and July 24th, 1943 [59] is United States $303,250.95. Please confirm and if acceptable authorize drawing draft. Embassy recommends urgent action.

WHITE

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[58] Dana G. Munro, President of the Foreign Bondholders Protective Council.

[59] Neither printed; these were notes addressed by the Ambassador to the Peruvian Foreign Office.

823.51/1550b: Telegram

The Secretary of State to the Ambassador in Peru (White)

WASHINGTON, May 22, 1944—2 p. m.

542. The Under Secretary [60] will hand the Peruvian Chargé d'Affaires [61] the following *aide-mémoire* at 11:15 this morning:

"Negotiations are now in process in Lima between the Peruvian Government and the Honorable James Grafton Rogers, Vice President of the Foreign Bondholders Protective Council, Incorporated, looking to the adjustment of the Peruvian dollar-bond issues which have been in default both as to principal and interest since 1931. On December 6, 1943 the Secretary had discussed this matter with His Excellency, the Peruvian Ambassador, the late Don Manuel de Freyre y Santander, and upon the occasion of their talk he had left with the Ambassador a memorandum [62] rehearsing the recent history of discussions on the subject. The memorandum pointed to the improved financial situation of Peru and how failure to resume active negotiations looking to resumption of service would not be understood in the United States and would react unfavorably not only in financial circles but also among the large body of holders of these defaulted bonds who were scattered widely throughout the population of this country. The Secretary had consequently urged the Peruvian Government to resume active negotiations looking to an early adjustment of the matter with the result that, with the agreement of the Peruvian Government, Mr. Rogers had gone to Lima to carry on discussions with the Peruvian Minister of Finance and other appropriate representatives of the Peruvian Government.

"The Department was distressed to learn that Finance Minister East had suggested as a basis of adjustment the payment of a service annuity of 4 million soles which, at the present rate of exchange would permit payment of less than three-fourths of one percent interest on the principal amount of the bonds but this annuity, which is already provided for in the Peruvian budget, would be offered to bondholders solely on condition that the Bondholders Council should accept a reduction of about five-sixths in the face value of each bond and that there should be no payment in respect of arrears of interest. The Foreign Bondholders Protective Council, Incorporated, has informed the Department that its acquiescence in any settlement of this kind would be entirely out of the question.

"The Department was seeking an amicable settlement which would redound to the interest of cordial relations between our two Governments and which would at the same time take into account the good of the very substantial United States private interests involved and which had loaned their money in good faith.

"All of the Department's information pointed to Peru's being in a greatly improved financial situation which should enable it to make a reasonable offer of adjustment on the principal amounts involved. The possibility of the present negotiations being broken off was unfortunate and it was hoped that they could be continued in a friendly

[60] Edward R. Stettinius, Jr.

[61] Eduardo Garland.

[62] Memorandum of December 6, 1943, quoted in telegram 1335, December 6, 1943, 8 p. m., to Lima, *Foreign Relations*, 1943, vol. VI, p. 755.

and understanding manner until an early and satisfactory agreement had been reached. It was the firm belief here that in all justice such agreement would have to be based on recognition of full principal amounts and equitable service thereon.

"The Department had, of course, had an opportunity to observe a large number of defaulted bond adjustments and in no case comparable to the Peruvian one had there been any cut in principal amount without the bondholders being given an alternative settlement involving full eventual payment of principal amount. The tender by Peru of a settlement along the lines suggested by Finance Minister East could not but elicit a very bad reception in the United States which would almost certainly be injurious to Peruvian credit. Such an offer would also be one which would have a most unfavorable reaction in the Department and United States Government circles in general."

The Foreign Bondholders Protective Council, Incorporated, expects to send Rogers further instructions later in the day.

HULL

823.51/1557

The Ambassador in Peru (White) to the Secretary of State

[Extracts]

No. 489 LIMA, June 2, 1944.
[Received June 10.]

SIR: I have the honor to inform the Department that the seventh formal conference between Finance Minister East and Dr. James G. Rogers took place at the Central Reserve Bank of Peru from 4:30 to 6:15 on May 31. . . .

. . . . . .

Mr. East reiterated and emphasized his previous assertion that all of the Peruvians desire to meet the debt obligations in the fullest extent consistent with the economic possibilities of the nation, which is the same statement ex-Finance Minister Dasso made in Washington when he signed the various agreements with the United States and which he, President Prado, and others have declared consistently since that time.

He said that no one would criticize Peru for not attempting that which the evident figures prove cannot be done, but that all would criticize her for promising to do the impossible and then failing.

The Department's *Aide-Mémoire* of May 22,[64] and the notes from this and the British Embassy to Minister of Foreign Relations Solf y Muro, all of which were firm and authoritative, made no visible impression on Mr. East or Dr. Solf.

There probably would be no difficulty in pursuing the conversations further, here or in the United States, now or later, with any

[64] See telegram 542, *supra*.

representative group of Peruvians and Americans; but we feel the results will always be the same so long as reliance is placed exclusively on the expert discussion of figures, precedents, Peruvian economics, delinquencies, duties, etc.

Only the balancing of advantages against advantages will bring results. Various general suggestions have been made over the years, and particularly in the different despatches of this series, which are listed at the end of this communication. Of several practical plans, the following in outline impresses the Embassy as the most feasible. It is based on the idea that the United States has underwritten its agreements and good neighbor policy with Peru to the extent of millions of dollars and has paid. Against this Peru has placed an unfulfilled promise. Peru argued she could not pay before because she had no dollar exchange. After 70 to 100 million soles of her annual cotton crop (all sold in dollars) has been guaranteed; all of her flax, rubber, most of the minerals and metals, rotenone, and quinine have been sold at high prices under contract for one or more years or the duration; all her sugar and petroleum disposed of under exceptionally good conditions and largely to the United States or through United States lend-lease; her military establishment renewed without payment so far; her food situation, sanitary conditions, and educational facilities improved with extensive United States funds,—in short, after the preponderant bulk of her entire exportable production has been sold—mostly to us—and prosperity has attained unprecedented proportions, Peru still cannot serve the debt, or at least spare more than $616,000.

The plan envisages rewriting all of the existing special agreements with Peru into one document to be observed by all of the United States Government.

Welfare and service agreements, such as those dealing with foods, sanitation, education, agricultural stations, possibly the naval, air, and military missions, could continue as usual, but the sums contributed by the United States would go integrally into a debt fund. Peru could defray all of the expenses in soles, since all of those so far consulted seem to be in agreement that foreign exchange is the only problem.

Many or most expenses of the United States Embassy; Vice Consulates; FEA; Military, Naval, and Legal Attachés; Carnegie Magnetic Observatory; Pan American Sanitary Bureau; Rubber Development Corporation;—in short of all American official and other operations not directly affecting exchange produced from ordinary trade could be handled in the same way.

. . . . . .

There are those who assert we cannot use these bargaining items because we need the commodities, but it is equally certain Peru needs

to sell them. Others say we must offer agreements to Peru because we promised the same conditions to other American nations. But the others have settled their debt problem or rendered effective and costly war service in one way or another.

I believe it is entirely our responsibility to determine whether Peru resumes service, and that she will do so if we provide and require the fulfillment of a rational plan.

It is almost inconceivable that conditions will again be so favorable. And even if they should be, we have been reminded that the following items are obstacles to overcome:

1. Peruvian internal development.
2. Lend-lease.
3. UNRRA.
4. International bank.

Respectfully yours, J. C. WHITE

823.51/7–1444

The Ambassador in Peru (White) to the Secretary of State

[Extracts]

No. 854 LIMA, July 14, 1944.
[Received July 20.]

SIR: As of interest to the Department and the Foreign Bondholders Protective Council, in connection with the recent series of despatches on the dollar debt negotiations, the last of which was despatch No. 489, dated June 2, 1944, I have the honor to forward herewith a copy of a memorandum by the Finance Minister, dated June 15, 1944, submitted to the Embassy by the Minister of Foreign Relations under cover of a note dated July 4, 1944.[65] Although the note states that a copy of the memorandum was delivered to the Department of State by the Peruvian Embassy in Washington, another is enclosed herewith for convenient reference.

Very little new information has been given in the memorandum. The different statements regarding the intention of the Peruvian Government to settle the debt along lines which are equitable and in proportion to the economic possibilities of the country, capacity to pay, and in line with the fiscal conditions of the Republic, etc., represent a recapitulation of statements by the Minister which have been reported on various occasions.

It makes a point also of Mr. East's mention of newspaper publicity to the effect that the Latin American nations together have a favorable trade balance of about two billion dollars, and that Peru possesses only a very small portion thereof.

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[65] Note of July 4 not printed.

Emphasis again is placed on Peru's relatively small foreign exchange accumulation during the last four years, amounting to 17.4 million dollars, which was not due to the sale of Peruvian products abroad but rather to the sharp restrictions on imports.

It states that at Mr. Rogers' request an investigation was made regarding the holdings of commercial banks. The resulting figures showed a total of 9.4 million dollars, represented by refugee money subject to withdrawal at any moment, and other funds subject to constant fluctuation on account of ordinary merchandise requirements.

The next point is one which the Peruvians use more persistently than any other. They always state that an appreciable part of their favorable balance is the property of foreign companies which does not return to the country. Without stipulating the sum involved, they assert it should be subtracted from the apparently favorable balance, and this leaves a negative result. Taking the year 1943 for example, the Minister's memorandum shows a favorable balance of 1.7 million dollars to which, it is admitted, the value of certain quantities of acquired but unshipped cotton and sugar should be added; but that even then the exact balance of payments is not reflected, because of the importance of the products owned by foreign companies. It is stated that all of these facts were explained in detail to Mr. Rogers and in Peruvian opinion were satisfactorily corroborated with trustworthy information.

. . . . . .

Reference is then made to the temporary suspension of conversations and the plan to renew them on a date fixed in agreement with Ambassador Beltrán following the international monetary conference. The memorandum ends with this statement: "Peru reiterates its desires to find a definite solution of the external debt problem, but believes that it is to be found only and solely in the field of economic reality".

The memorandum represents a report by Mr. East to the Council, and in addition to submitting copies to the Department and this Embassy, one was sent also to the British Embassy. It is evident that the Finance Minister has failed to bring to the attention of his colleagues numerous important points on the other side. He has not stressed the exceptional advantages which have accrued to Peru by virtue of several overall agreements assuring secure markets for Peruvian products at prices two to four-fold greater than the pre-war level. This style of presentation is what we would have expected and must expect, for it is now evident the Peruvian Government has done little even after the United States had absorbed or underwritten the greater portion of Peru's export products during the two-year period. Nor is there any assurance of a satisfactory settlement if

we should be so generous as to continue the same type of cooperation for an additional two, four or eight-year period.

The experience of American, British and other foreign businessmen in this country, and also of the foreign governments which have been successful in dealing with Peru, is that this Government's practice of giving too little and asking too much can be modified only by very firm and, of course, friendly bargaining.

Respectfully yours, J. C. WHITE

[Enclosure—Translation]

MEMORANDUM

With respect to the conversations that have been held with Mr. Rogers, we think it appropriate to give an account of what took place.

The purpose of the first four meetings was only to explain to Mr. Rogers Peru's economic situation and its ability to pay. This would have to form the basis of any conversations and possible settlement under the terms accepted by the Foreign Bondholders Protective Council. In fact, in a cable dated December 18, 1943, the President of the Council stated to the Minister of Finance: "We were happy to learn through Mr. Orton that Your Excellency hopes to be prepared to discuss the question of the Peruvian dollar debt in January. We shall be pleased to begin these discussions when Your Excellency informs us that the Peruvian Government wishes to do so. Meanwhile, we should appreciate it if we could be informed about the proposals that will serve as a basis of the discussions. Very truly yours, Dana G. Munro." This cable was answered on the 21st of the same month by the Minister of Finance, who stated: "In reply to your cable dated the 18th of this month, I take pleasure in confirming what I have stated to Mr. Lee Orton: that the Government of Peru was prepared to initiate conversations in Lima on the question of the foreign dollar debt in January and, with regard to the second matter mentioned in your cable, I must confirm my letter to you dated May 5, which stated that 'it has always been the aim of our Government to obtain a solution that is fair and in accord with the economic capacity of our country.' Very truly yours, Julio East, Minister of Finance."

It was also stated in the last paragraph of a memorandum sent by the Embassy of the United States on the 14th of the same month: "It is hoped in Washington that any proposal that Peru may make to American bondholders will be based on Peru's ability to pay."

In determining the country's ability to pay two basic factors were taken into consideration: the possibility of transferring funds abroad in order to make the payments and the financial situation of the country as shown by its budget.

From the information that is constantly being received from the United States it was learned that there was a general impression in that country that all Latin American countries have accumulated large gold and foreign currency reserves during the last four years because of favorable foreign trade and that the amount accumulated would come to a little over two billion dollars. This figure, given thus as the sum total, has led to the assumption that each and every one of the countries, including Peru, has a large sum in gold and foreign exchange. However, the amount accumulated has been much larger in some countries than in others. If we take into consideration the fact that on December 31 last, Argentina had a little over 800 million dollars, Mexico 700 million, and Brazil approximately 460 million, it may easily be seen that the other Latin American countries combined did not have as much as 200 million dollars in gold and foreign exchange.

At the first meeting held with Mr. Rogers on April 19 last a report on the above-mentioned situation was made to him, and he was provided with official information on the gold and liquid assets payable in gold of the Central Reserve Bank of Peru as of December 31, 1939 and April 15, 1944. From that information it appears that at the end of 1939, Peru had the sum of 9,595,201.22 soles in gold and foreign exchange which, at the exchange rate prevailing at that time, amounted to the sum of U.S.$1,744,582.04, whereas on April 15 last, it had 124,081,101.97 soles, or U.S.$19,133,554.66 at the present exchange rate of 6.50 soles per dollar; that is to say, not only does Peru not have a large gold reserve and large liquid assets for foreign exchange but also, during the last four years, unlike other countries, it has been able to accumulate only the sum of U.S.$17,388,972.62. The fact that this amount has been accumulated is due not so much to sales of our products abroad at very favorable prices as to heavy import restrictions.

Since Mr. Rogers had requested information on commercial bank holdings, he was provided with the data furnished by the Office of the Superintendent of Banks, which showed a balance on hand of 60,855,441 soles, or the equivalent of U.S.$9,362,375, with the explanation that these sums comprised not only floating funds that had come into the country and might leave it at any time but also sums subject to constant fluctuations caused by the daily import transactions.

Even more important than the foreign exchange position at any given time is the tendency shown by the trade balance and the balance of payments, since they indicate the true economic situation over a long period. There has also been a serious misconception abroad concerning our trade balance, which has been caused by the apparently favorable trade balances. If we analyze the matter a little and note that a large part of our export products are owned by for-

eign companies, we can see that their net value does not return to this country. Therefore, that amount must be deducted from the foreign trade balance, which thus has actually been negative on various occasions although appearing to show a plus or favorable position. Thus, in 1943 there was a favorable foreign trade balance of only 10,951,458 soles, or U.S.$1,684,839, to which could be added the value of certain quantities of cotton and sugar that were sold but not shipped. However, these sums would not accurately show the situation with respect to the balance of payments, since it would be necessary to deduct the value of products owned by foreign companies that does not return to the country. Studies made concerning Peru's balance of payments in 1932, 1933, 1938, 1939, and 1940, even though they are inadequate, and the preceding comments on our foreign trade clearly indicate that our balance of payments has a tendency to be unfavorable.

All these explanations were carefully made to Mr. Rogers during the first two meetings and were, we think, adequately corroborated by reliable information. It appears, then, to have been shown that since Peru has available only small amounts of foreign exchange and its balance of payments has not been consistently favorable for many years, its ability to transfer funds for service on the debt would be extremely limited.

This situation is even more serious if we consider what the future holds for our export products. Peru depends on its exports as much as or more than any other country in the world. If we find that we cannot continue to sell our products abroad or to receive the same price for them as at present, it is evident that our domestic economic situation will worsen, and, since the importation of capital goods cannot be further restricted, our balance of payments would obviously be unfavorable. Therefore, we sincerely believe that any settlement must be based on the possibility of transferring funds, as measured by the balance of payments.

At the third and fourth meetings with Mr. Rogers information was furnished on Peru's ability to pay, as measured by its tax revenues and its urgent needs that must be met by the budget. Mr. Rogers was provided with data on the budgets from 1899 to the current year, which showed that up to 1939 the exiguous tax revenues had been sufficient to meet only a few of the more urgent needs and that it was not until the last five years that revenues increased because of an improvement in the economic situation; however, they were absorbed by the aforesaid needs, which even so could not be fully satisfied. It was explained to Mr. Rogers that in actual value this increase was less than one might infer from the mere figures since, if it were converted into dollars, only this year's budget was higher than that for 1929, the year of the beginning of the crisis that led to suspension of

payments on the debt. He was also given data on the fluctuations in the yield of various taxes and on how the budget has been worked out, its structure having been improved year by year in order to establish a better financial policy. It was also pointed out that this improvement in national finances was due to an improved economic situation, which in turn was dependent on the sales of our products abroad, but nonetheless that did not mean that it would be possible to have a large sum available for foreign debt payments, since that would mean neglect of essential public services.

At the meeting held with representative of the Foreign Bondholders Protective Council on May 8 last, after fixing by mutual agreement the debt of the Government, the Municipality of Callao, and the Municipality of Lima in 1911 at U.S.$92,602,584, and stressing the country's ability to pay as brought out in the earlier conversations, it was proposed to Mr. Rogers that one sol for each dollar, or 92,602,584 soles, be paid and that this debt be reduced at [the exchange rate of] 6.50 soles [per dollar], or to U.S.$14,246,551.00. No reference was made to the payment of the interest due or to interest payable in the future, even though it is the impression of the Peruvian Government that the first interest due should be forgiven and the second reduced.

The proposal made to Mr. Rogers was entirely in accordance with the agreement that had been reached to make any settlement dependent upon Peru's ability to pay, which ability is limited by its tax revenues and the possibility of transferring funds abroad.

It would not be superfluous to call attention to the fact that Peru's proposal, as was stated to Mr. Rogers, is not only based on the country's actual ability to pay, but it is also not unique or without precedent. Nearly all countries that have resumed payment of their debts have done so by obtaining reductions in the capital or interest in proportion to their ability to pay. Thus, for example, a few months ago Chile made an arrangement with the National City Bank of New York canceling Treasury notes amounting to U.S.$11,845,000 by paying them in internal debt bonds at the rate of 6.50 pesos per dollar, when the present rate of exchange is 31 pesos per dollar; that is to say, this represented a reduction of nearly 80%. Mexico, another country with greater economic capacity and development than Peru, settled its foreign debt two years ago, converting it from dollars into pesos after obtaining in advance another reduction in its peso debt, all of which meant an 82% reduction in the total of its debt.

It is our intention to resume service on the debt at a rate that can be met year by year until it is fully paid, for, without study and careful consideration, we should not like to set an excessive amount, which would lead to cancelation of the agreement or another suspension of debt service.

During the conversations Mr. Rogers stated that he had confidence in the future of Peru and that a risk should be taken, but the Minister of Finance pointed out that that was the procedure followed in 1927, when the loans were contracted without studying Peru's real economic situation or its ability to pay at that time or in the future. This resulted in suspension of the debt service in four years and from the first year payments were kept up only with the product from the loan itself, which showed that even in the year in which the loan was contracted, Peru did not have the economic capacity to meet the service on the debt.

At the next meeting on the 9th of this month, Mr. Rogers stated that the Foreign Bondholders Protective Council had not accepted the proposal of the Minister of Finance, and he made several suggestions, one of which was to suspend the conversations temporarily until some time in the near future, when they would be resumed. Meanwhile, he would have to report to New York and Washington on Peru's economic capacity and communicate the information that had been given to him.

In a few days Mr. Rogers requested a conference with the Minister of Finance, informing him that he had made a reservation to return to the United States by plane the next day. At that last meeting Mr. Rogers' suggestion was accepted, to the effect that the conversations be suspended for a short time and resumed at a date to be set by common agreement through Mr. Beltrán, our Ambassador at Washington, after the International Monetary Conference ends.

Peru reaffirms its desire to obtain a definitive solution of its foreign debt problem, but it believes that a solution will be found only on the basis of its actual economic situation.

LIMA, June 15, 1944.

URUGUAY

ASSISTANCE BY THE UNITED STATES ON MEASURES FOR THE DEFENSE OF URUGUAY

833.24/1031

Memorandum by the Chief of the Division of the American Republics (Bonsal) [1]

[WASHINGTON,] December 30, 1943.

I had lunch yesterday with the Uruguayan Ambassador.[2] In the course of the conversation he again brought up the question of Lend-Lease materials [3] for Uruguay. He has consistently taken the position that Uruguay has been neglected by us in this respect. In view of the present circumstances and potential developments, he brought up a new argument. He said that Montevideo is very vulnerable to attack from Buenos Aires and that a successful assault on the Uruguayan Capital could under present conditions be carried out by a very small "commando" group.

I would appreciate guidance as to whether we should take this matter up with the War Department and whether a special Lend-Lease shipment could legally be made to Uruguay in order to ward off attack from her powerful neighbor.[4]

PHILIP W. BONSAL

833.00/928a : Telegram

The Secretary of State to the Ambassador in Uruguay (Dawson)

WASHINGTON, January 4, 1944—7 p. m.

5. For your strictly confidential information you are advised that the Navy Department has informed the Department that it is issuing instructions to Admiral Ingram [5] to proceed on a cruiser to Montevideo as soon as possible to stay about four days, the expressed purpose of the visit being an expression of solidarity with and friendship toward the present Government of Uruguay. The Naval Attaché [6] will be

[1] Addressed to the Secretary of State and to Assistant Secretary Adolf A. Berle, Jr.

[2] Juan Carlos Blanco.

[3] For a note on the Lend-Lease Agreement between the United States and Uruguay, signed January 13, 1942, see *Foreign Relations*, 1942, vol. VI, p. 703.

[4] A marginal note on the original reads: "I think Uruguay's position should be strengthened. A. A. B[erle]."

[5] Vice Adm. Jonas H. Ingram, Commanding the Fourth Fleet.

[6] Comdr. Albert Benjamin.

599-037—67——101

advised in due course by the Navy Department of the exact date and time of arrival and the Department will endeavor so to inform you direct not more than 24 hours before the hour of arrival. You will appreciate that for reasons both of security and policy it is essential to keep the fact of the visit secret until just before the arrival of the vessel.

HULL

833.00/933 : Telegram

The Ambassador in Uruguay (Dawson) to the Secretary of State

MONTEVIDEO, January 16, 1944—1 p. m.
[Received 10 : 08 p. m.]

78. Admiral Ingram arrived yesterday with cruiser *Memphis* and destroyer *Somers*. President Amezaga is delighted with visit which he told me is "most opportune" and several other officials and prominent Uruguayans have already expressed their satisfaction. Friendly press abounds in cordial articles of welcome and it is obvious that visit is widely interpreted as a timely indication of our support of Uruguay which will not be lost on Argentina. *La Razón* is only leading paper to voice this openly. It states that visit gives an opportune feeling of security at a time when the defeated enemy is struggling desperately and dangerously in Argentina, Bolivia, Chile and Peru to perturb American solidarity. *La Razón* says that enemy will not succeed but may cause some trouble and that presence in River Plate waters of powerful United States vessels will remind those who forget of the irrevocable will of world democracy. Communist organ comments along similar lines.

Impression caused by visit will no doubt be strengthened by impending arrival of three Mariner bombers which Admiral Ingram is bringing here from Brazil tomorrow or Tuesday. Also USS DE *Christopher* is due here tomorrow to fuel and will spend 6 to 10 days off mouth of River Plate guarding a British cable ship.

DAWSON

811.34533/28 : Telegram

The Ambassador in Uruguay (Dawson) to the Secretary of State

MONTEVIDEO, January 21, 1944—6 p. m.
[Received 8 : 34 p. m.]

99. Admiral Ingram and Naval Attaché had this morning with Minister of National Defense [7] and his advisers conference referred to in my 91, January 19.[8]

[7] Gen. Alfredo R. Campos.
[8] Not printed.

Naval Attaché reports that Minister was in very receptive mood and told Admiral that Uruguayan authorities are in agreement with his proposal, it being understood that projected air base would be built under Uruguayan direction with assistance of American engineers and equipment, [and] that like other Uruguayan naval facilities, base would be available for use by United States and Allies. Admiral Ingram told Minister that if Navy Department approves, he can have engineers here by middle of February.

I shall endeavor to obtain confirmation from the President tomorrow.

DAWSON

811.34533/29 : Telegram

The Ambassador in Uruguay (Dawson) to the Secretary of State

MONTEVIDEO, January 23, 1944—noon.
[Received 4:42 p. m.]

106. 1. Last night at President's farewell dinner for Admiral Ingram, President and Ministers of Foreign Affairs [9] and National Defense expressed complete approval of Naval air base proposal on lines indicated in my 99, January 21. Work is to be done by Uruguayan Government and at its expense, Admiral Ingram supplying equipment and engineers. President pointed out that on this basis, project can be executed without prior submission to and discussion in Congress which Government wishes to avoid. Base which is to be built at Laguna Del Sauce 60 miles east of Montevideo will be available for use by United States and Allied forces under same conditions as Uruguayan ports and other naval facilities are now available. President added that if while in Uruguay our forces were to be attacked by enemy, Uruguay forces would aid in repelling aggression.

2. In my conversations with President and his advisers, I have indicated that our discussions were, of course, subject to approval from Washington. However, I understand from Admiral Ingram that he has authority to go ahead and proposes to do so. He indicated that he would send an air engineer to Montevideo shortly.

3. An excellent result of the Admiral's extraordinarily successful visit has been establishment of very cordial relations between him and Minister of National Defense. Admiral has offered to send additional heavy equipment from Brazil for work on Carrasco airport. He has also offered to provide transportation to U.S. for Uruguayan naval crew which will take over in Miami patrol craft being supplied to Uruguay under Lend-Lease. Admiral plans to send cruiser to Montevideo for this purpose about middle of February.

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[9] José Serrato.

4. *Memphis* and *Somers* left Montevideo today at 9 a. m. USS *Christopher* referred to in my 78, January 16 is spending 2 days at Punta del Este.

DAWSON

833.24/1094

Memorandum by Mr. David McK. Key, Assistant Liaison Officer in the Office of the Secretary of State [10]

[WASHINGTON,] January 27, 1944.

Referring to your memorandum of January 25,[11] the following is a summary of Lend-Lease items extended to Uruguay:

As of September 30, 1943 the last date on which figures had been compiled, the dollar value of air and ground equipment supplied to Uruguay was $845,032.00.

The following are the principal items of ground equipment furnished to Uruguay:

Items	*Quantity*
Mortar 81 mm with mount	12
Links M.G. Cal. 303	29,875
Cartridge Ball Cal. 303 (rds)	101,280
Shell HE lt. 81 mm mortar	2,400
Shell HE heavy 81 mm mortar	480
Shell, Smoke 81 mm	100
105 mm howitzer	6
Shells HE 105 mm	3,480
Telephone wire	63 miles
Ball cartridge cal. 30	25,000
Tracer Cal. 30	8,000
Gas masks	50
Road graders motorized Diesel 50 h.p., 7½ ton with spare parts	2
¾ ton truck weapons carrier	4
Jeeps	4
Revolvers 38 cal. special	100

In addition, telephones, switchboards, radio sets and other items have been supplied.

The following airplanes have been supplied to Uruguay under Lend-Lease:

[Here follows a list of the types and quantities totaling 31 in 1942 and 20 in 1943 supplied to Uruguay.]

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[10] Addressed to Shiras Morris, Division of River Plate Affairs, and Philip W. Bonsal, Deputy Director, Office of American Republic Affairs.

[11] Not printed.

1944: In addition to the foregoing, 3 AE–1 planes are scheduled for delivery in March of this year and 1 single motor transport C–43 is scheduled for delivery during February.

NAVAL MATERIAL

With respect to Naval equipment furnished to Uruguay under Lend-Lease the value of deliveries to approximately January 31, 1943, the latest date on which figures are available, was $542,982.00. The estimated value, on completion, of Naval Lend-Lease deliveries to Uruguay is $924,080.00.

The principal Naval items sent to Uruguay, aside from Naval planes such as the 9 SNC–1's and 6 OS2U–3's listed above are 1 173 foot patrol craft and spares (this vessel is awaiting a Uruguayan crew) and a 63 foot aircraft rescue boat.

There is attached a detailed list of Naval equipment [12] (including Navy type planes) furnished to Uruguay or which has been approved for shipment to Uruguay by the Navy Department. It is requested that this list be returned to S–L [13] after you have finished with it.

DAVID MCK. KEY

833.24/1065

Memorandum by Mr. Shiras Morris, Division of River Plate Affairs [14]

[WASHINGTON,] February 6, 1944.

The two matters described in the attached memorandum [15] from the Uruguayan Military Mission which has been presented by Señor Yriart [16] are "en gestión" only in the sense that Ambassador Blanco is not satisfied with the decisions which have already been made by the War Department concerning them.

The November 9 lists of war material [12] desired by Uruguay could not be approved by the War Department because they consist of material badly needed at the fighting fronts and the Uruguayan Military Attaché [17] has been so advised already by the War Department. Colonel Johnston [18] has informed Mr. Key in S–L that as soon as any of this material becomes available for Latin America the War Department will give sympathetic consideration to Uruguay's wishes and the Uruguayans have been told this by the War Department already.

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[12] Not printed.
[13] Liaison Office of the Secretary's office.
[14] Addressed to John K. Bacon, Acting Chief, Division of River Plate Affairs, and Laurence Duggan, Director, Office of American Republic Affairs.
[15] Memorandum not printed.
[16] Juan F. Yriart, First Secretary of the Uruguayan Embassy in Washington.
[17] Col. Medardo R. Farías.
[18] Lt. Col. Winant Johnston, Director, International Division, A.S.F., War Department.

Concerning the request for advanced fighter and bomber training for Uruguayan pilots, Colonel Farías, the Uruguayan Military Attaché, has been twice informed by Lieutenant Colonel Kenyon, War Department, in letters dated January 3 and January 14 that this request could not be honored because advanced training was of necessity restricted to personnel which would eventually enter actual combat at the front. The only Latin American pilots to meet this condition have been some Brazilians who have received this training.

From the investigation of these two matters which has been made it is clear that they had both received the careful consideration of the appropriate Government agency and that the Uruguayan Embassy had been informed of the decisions reached. The Uruguayans' taking them up again through ARA as though they were something new has only placed an additional and unnecessary burden of work upon S–L and the War Department. It would seen desirable that this situation be discussed with the Uruguayan Embassy with a view to working out a procedure whereby when the Uruguayans are told "no" they will believe it the first time.

811.34533/28 : Telegram

The Acting Secretary of State to the Ambassador in Uruguay (Dawson)

WASHINGTON, February 22, 1944—5 p. m.

106. The Navy Department states that it approves the informal arrangements, which form the subject of your 99 of January 21, 6 p. m. and subsequent telegrams, entered into during the visit of Admiral Ingram and is prepared to render the requested assistance provided, however, that these arrangements are formally confirmed in a written agreement with the Uruguayan Government in order to assure the free use of these facilities to seaplanes of the United States Navy.

The Department considers that this could be effected by an exchange of notes between the Embassy and the Uruguayan Government. If you concur please transmit to the Department text of proposed communication for approval of Navy Department.[20] It is suggested that you may wish to consult Admiral Ingram.

STETTINIUS

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[20] The text of a note (*infra*) was submitted to the Department in telegram 197, February 25, 10 a. m., from Montevideo, and was approved by the Department in its telegram 117, March 1, 1944, 8 p. m. (811.34533/35).

811.34533/42

The American Ambassador in Uruguay (Dawson) to the Uruguayan Minister for Foreign Affairs (Serrato) [21]

No. 17 MONTEVIDEO, March 3, 1944.

EXCELLENCY: I desire to refer to certain arrangements entered into with the Minister of National Defense by Vice Admiral Ingram during the latter's recent visit to Montevideo.

It is my understanding that under these arrangements Admiral Ingram will cooperate with the Uruguayan Government in the construction of a naval air base at Laguna del Sauce by furnishing technical assistance and equipment.

It is also my understanding that the Uruguayan Government will grant free use of the naval air base in question to the planes of the United States Navy during the existence of the present international emergency.

I shall be grateful if Your Excellency will be good enough to confirm my understanding as set forth above.

I avail myself [etc.]

811.34533/42

The Uruguayan Minister for Foreign Affairs (Serrato) to the American Ambassador in Uruguay (Dawson) [21]

MONTEVIDEO, March 10, 1944.

MR. AMBASSADOR: I have the honor to acknowledge receipt of note no. 17, dated the 3rd instant, in which, referring to the arrangements entered into with the Minister of National Defense by Vice Admiral Ingram during his recent visit to Montevideo, Your Excellency expresses the desire of knowing the opinion of the undersigned concerning the interpretation which Your Excellency gives to the said arrangements and sets forth in the said note.

In reply I take pleasure in stating that I concur in the said interpretation and also that the arrangements in question have my approval.

I renew [etc.] JOSÉ SERRATO

833.24/1204

The Secretary of State to the Secretary of War (Stimson)

WASHINGTON, April 14, 1944.

MY DEAR MR. SECRETARY: You will recall that in my letter of January 17 and Mr. Stettinius' communication of February 12 [22] the

[21] Copy transmitted to the Department in despatch 4053, March 11, 1944, from Montevideo; received March 21.

[22] Neither printed.

hope was expressed that the War Department would give sympathetic attention to the possibility of delivering to the Government of Uruguay an additional quantity of the military equipment requested by that Government under the provisions of the Lend-Lease Agreement concluded in 1942.

Since then the Uruguayan authorities have renewed their requests. The Uruguayan Ambassador has submitted to me, under instructions from his Government, a note dated April 3,[25] a copy in translation of which is enclosed, stating that it is urgently necessary to equip Uruguay adequately in order to enable that country to assist the United Nations in maintaining political stability in this hemisphere.

I have reached the conclusion that for important reasons of policy it is essential to render appropriate assistance to the Government of Uruguay which, notwithstanding the immediate neighborhood of a stronger nation in which activity opposed to the United Nations and to hemisphere defense continues to exist, has maintained a consistently friendly and cooperative attitude. In view of this situation I should greatly appreciate it if the War Department would give prompt and favorable consideration to the Uruguayan request with a view to furnishing such military equipment as can be used to best advantage by that country.

Sincerely yours, [CORDELL HULL]

833.24/1180

The Secretary of State to the Uruguayan Ambassador (Blanco)

WASHINGTON, April 20, 1944.

EXCELLENCY: I have the honor to acknowledge receipt of Your Excellency's note dated April 3, 1944,[25] requesting the delivery of additional war materials to your Government under the Uruguayan-United States Lend-Lease Agreement of January 13, 1942, as well as increased shipments of materials, fuel, machinery and other articles indispensable for the economic life of the Uruguayan people and for the development of its industries.

In furtherance of Your Excellency's request I have been pleased to recommend to the Secretary of War that prompt and favorable consideration be given to the request of the Uruguayan Government for additional war material with a view to furnishing such military equipment as can be used to best advantage by that Government. I have reason to believe that a favorable reception will be accorded my recommendation and I shall be pleased to advise Your Excellency of whatever reply the Secretary of War may make.

[25] Not printed.

With reference to supplies for the Uruguayan civilian economy, the records of this Government indicate that in general Uruguay has received treatment equal to that accorded the other American Republics and the civilian population of the United States. If, however, Your Excellency has in mind any specific instance of failure to provide adequately for Uruguayan minimum civilian needs, I should appreciate your bringing it to my attention so that, if possible, an appropriate remedy may be devised.

Accept [etc.] CORDELL HULL

833.24/1170b : Telegram

The Secretary of State to the Ambassador in Uruguay (Dawson)

WASHINGTON, May 10, 1944—8 p. m.

254. The Department has just been informed by the War Department that transfer directives were issued on May 4 assigning to the Uruguayan authorities under Lend-Lease considerable quantities of military ground equipment including machine guns, automatic rifles, anti-tank guns, light tanks, trucks, ammunition and shells etc.

An itemized list, setting forth the types and quantities involved, is being sent you by airgram.[26]

HULL

811.34533/51 : Telegram

The Ambassador in Uruguay (Dawson) to the Secretary of State

MONTEVIDEO, June 6, 1944—6 p. m.
[Received 7:05 p. m.]

518. Agitation over Laguna del Sauce Air Base reported in my 4328 of May 12 [27] and later despatches culminated yesterday in violent Senate session for details of which please see Embassy's press telegram 517 of today.[27]

Government had issued on June 2 an excellent factual statement correctly setting forth nature of our participation. Text forwarded with dispatch 4416 June 3.[28]

Herreristas obviously intend to exploit situation for all out attack on Government's foreign policy which they depict as subordinated to United States, disrupting River Plate base balance and threatening country's peace and independence. In addition to United States participation in construction activities, they are playing up alleged

[26] Airgram A-205, May 11, 1944, 6 : 10 p.m., not printed.
[27] Not printed.
[28] Not printed; for the position of the Minister for Foreign Affairs in the Senate debate, see his *Memoria Correspondiente al periodo Marzo 1944–1945* (Montevideo, 1945), pp. 46–49.

Uruguay-Brazilian military alliance of which they see evidences in article 2 of Guani's Decree of August 25, 1942 following Brazilian Declaration of War on Axis, and also in allegation that Laguna del Sauce will have good highway connections with Brazil.

Serrato tells me that he and Campos will probably answer interpellation in Senate on June 7 or 8.[29] Although he believes Herreristas actuated primarily by domestic political motives, he considers it not impossible that they have been egged on by Argentines. He believes Argentines have been alarmed for some time over air base and Airport construction activities in Uruguay and he has heard that certain Argentine Generals have even suggested "destroying the bases". He does not believe suggestion received serious consideration and he expressed opinion that Argentina would not attack Uruguay and thus start a general war.

Repeated to Buenos Aires.

DAWSON

833.24/6–144 : Telegram

The Ambassador in Uruguay (Dawson) to the Secretary of State

MONTEVIDEO, July 1, 1944—1 p. m.
[Received 1 : 29 p. m.]

636. Military Attaché [30] is cabling War Department concerning request of Uruguayan Chief-of-Staff [31] for urgent despatch of lend-lease matériel.

In later conversation with me Defense Minister Campos expressed special interest also in urgent shipment of tanks, anti-air and anti-tank artillery, items to complete 105 mm guns already received and ammunition for all types of guns. Campos states that all this is already included in requests on file and approved in principle in Washington. He remarked that excluding naval vessel recently delivered Uruguay has received only about 2 million dollars lend-lease and that installment now being paid will bring its payments up to nearly 4 million.

I trust that Department will make every effort to satisfy Uruguay's requests.

Campos is greatly concerned over bellicose atmosphere in Argentina. He recognizes that for Argentina to start war would be suicidal adventure but he considers Argentine military regime irresponsible and capable of anything. He views with concern concen-

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[29] The Ambassador reported in telegram 542, June 9, 1944, 6 p. m., that the interpellation in the Senate resulted in a 17 to 11 vote of support for the Minister's policy (811. 34533/61).

[30] Col. Norman A. Congdon.

[31] Gen. David H. Colombo.

tration of forces by both Argentina and Brazil along common border and also recent creation by Argentina of two new divisions in provinces fronting on Uruguay River.

DAWSON

833.24/7–1244

Memorandum of Conversation, by the Chief of the Division of River Plate Affairs (Spaeth)

[WASHINGTON,] July 12, 1944.

Colonel Meals [32] came in to discuss the Uruguayan lend-lease program. He stated that from a military standpoint the War Department continues of the opinion that no additional lend-lease equipment is needed by Uruguay. He therefore states that the War Department would recommend additional equipment to the Munitions Assignment Board only upon receipt of a letter from Secretary Hull stating that for political reasons the Department of State considers that additional lend-lease equipment should be allocated to Uruguay.

Colonel Meals also stated that approximately two months ago Secretary Stimson had replied [33] to a letter from Secretary Hull on the same subject,[34] and pursuant to Secretary Hull's request had stated that the War Department was recommending that additional matériel be allocated to Uruguay. Colonel Meals stated that at that time the Munitions Assignment Board did allocate additional matériel and that the list of approved matériel [35] had been submitted to Mr. Orme Wilson.[36]

With regard to equipment which is now ready for shipment but for which there is presently no shipping space available, Colonel Meals stated that he had been informed by the Uruguayan Military Attaché, Farias, that there is no immediate urgency and that the equipment can therefore wait upon the arrival of the Uruguayan ship *Colonia*.

Colonel Meals also stated that since it is the opinion of the War Department that much of the equipment being sent to Uruguay will not be effectively used unless technical instruction is given to Uruguayan officials, the War Department feels that a military mission to Uruguay is highly desirable. He stated that the War Department is particularly anxious to have a military mission in Uruguay at this time because of the strategic importance of the River Plate area. He

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[32] Lt. Col. Robert W. Meals, American Theater Section, Operations Division, War Department.

[33] For substance of his reply, see telegram 254, May 10, 8 p. m., to Montevideo, p. 1599.

[34] Letter of April 14, p. 1597.

[35] Not printed.

[36] Liaison Officer in the Office of the Secretary of State.

also stated that on several occasions Colonel Congdon has taken this matter up with Ambassador Dawson but that the Ambassador has apparently not viewed the proposal with favor.

833.24/8–144 : Telegram

The Ambassador in Uruguay (Dawson) to the Secretary of State

MONTEVIDEO, August 1, 1944—6 p. m.
[Received August 1—5 : 52 p. m.]

739. PC [37] boat furnished Uruguay under lend-lease arrived Montevideo yesterday after uneventful trip. Naval Attaché states President going aboard this afternoon, Uruguayan authorities very pleased, and officers and crew of vessel delighted with training and treatment in United States.

DAWSON

833.7962/8–844 : Telegram

The Ambassador in Uruguay (Dawson) to the Secretary of State

MONTEVIDEO, August 8, 1944—3 p. m.
[Received 6 : 40 p. m.]

760. 1. Naval Attaché informs me that north south runway of Carrasco Airport will be completed shortly and that Admiral Ingram has expected to withdraw assistance and equipment at that time since this runway affords necessary facilities for emergency operations.

2. Naval Attaché has received a formal note in which General Campos, as president of airport commission, requests that present equipment, together with necessary spare parts, continue to be made available for completion of first phase of construction program which Campos considers minimum required for adequate operation of airport and to satisfy public opinion. This first phase would include additional east west runway with approach zones, aprons and connecting taxi-ways.

3. Withdrawal of equipment would undoubtedly interfere very seriously with progress of work and Naval Attaché and Foreign Office believe it would cause keen disappointment and create an unfortunate impression generally. It would no doubt be played up by Herreristas as a victory for their recent anti-airbase campaign.

4. I consider it very desirable that Campos' request receive every consideration practicable. Naval Attaché is cabling Navy and Admiral Ingram.

DAWSON

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[37] Patrol vessel, submarine chaser.

833.24/8–1444

The Secretary of State to the Ambassador in Uruguay (Dawson)

No. 2125 WASHINGTON, August 14, 1944.

The Secretary of State refers to the Embassy's despatch no. 1387 of August 7, 1942 [38] and transmits for the confidential information and files of the Embassy a copy of the Department's Note of today's date to the Uruguayan Embassy in Washington [38] concerning the schedules and accounts covering material and equipment which has been made available up to April 30, 1944, inclusive, to the Government of Uruguay under the Lend-Lease Agreement of January 13, 1942.

In this connection there is also enclosed a copy of the statement of June 21, 1944 [38] received from the Foreign Economic Administration.

For the Embassy's confidential information only it has been learned informally that the Government of Uruguay has made three payments of $1,300,000 each to the Treasury Department in 1942, 1943 and 1944 as reimbursement for lend-lease material transferred to Uruguay by this Government. The Department in its Note to the Uruguayan Embassy in Washington specifically has omitted reference to these payments pending receipt from the Foreign Economic Administration of formal information respecting the status of such payments. It appears that the total sum of $3,900,000 already paid by the Uruguayans is in excess of the volume of the material already transferred to them. However it is probable that the volume of material transferred subsequent to April 30, 1944, and to be transferred, will be substantially increased.

833.24/9–2644

Memorandum of Conversation, by Mr. George D. Henderson of the Division of River Plate Affairs, and Mr. Joseph E. Johnson, Division of American Republics Analysis and Liaison

[Extracts]

[WASHINGTON,] October 12, 1944.

Participants: War Department—Lt. Cols. Meals and Dubois
RPA—Mr. Spaeth, Mr. Henderson
RL—Mr. Johnson

It had been suggested in the Department that perhaps the War Department might be willing to liberalize Lend-Lease allocations to Uruguay if such allocations were coupled with efforts to get the Uruguayans to ask for a military mission. Accordingly, Col. Meals

[38] Not printed.

was asked to come to discuss the question, and brought Col. Dubois with him.

. . . . . .

The meeting terminated with the unanimous decision of all participants that the following should be done:

1. The War Department would immediately reconsider Uruguayan Lend-Lease requests with a view to arriving at a list of items which would lessen the disparity between material requested and material granted.
2. The War Department's "offer" would contain certain indications of the need for technical guidance in using equipment to be furnished.
3. Thereafter, the entire matter will be reviewed with officers of the Uruguayan Embassy, this government stating exactly what can now be made available, and explaining very frankly why certain other items will not be obtainable at least before the end of hostilities in Europe. At or about the same time, either in Washington or through Ambassador Dawson in Montevideo, the Department will raise the proposal for ground and air missions with the Uruguayan government. (With respect to both types of missions, Col. Meals said that the War Department did not necessarily want large missions, and Mr. Johnson stressed the fact that they need not be called "missions" at all if anybody balked at the word.)
4. The Department will undertake to arrange with the WSA [40] for transportation of the equipment to Uruguay as expeditiously as possible.

833.24/10–2544

Memorandum of Conversation, by Mr. George D. Henderson of the Division of River Plate Affairs

[WASHINGTON,] October 25, 1944.

Participants: Colonel Edwards,[41] Lieutenant Colonel Dubois, War Department
Mr. Spaeth, Mr. Henderson, RPA
Mr. Johnson, RL

Pursuant to the discussion summarized in the memorandum of conversation of October 12, Colonel Edwards and Colonel Dubois called to communicate the results of the War Department's promise to reconsider Uruguayan Lend-Lease requests. They left copies of a table of Lend-Lease items showing amounts originally requested, token allocations on two subsequent occasions, and amounts now available and suitable for immediate delivery to Uruguay.

The latest action of the War Department was acknowledgedly extremely encouraging and generous enough to make up for previous disappointing results.

[40] War Shipping Administration.
[41] Col. Parmer W. Edwards, Caribbean-Latin American Section, Operations Division, War Department.

Colonel Edwards pointed out that the War Department, having fulfilled its promise, now turned the matter over entirely to the State Department. He nevertheless expressed his earnest hope that in return the State Department would arrange to have Uruguay request a military mission in accordance with the previous discussion between representatives of the State and War Departments.

With respect to certain other points brought up in this meeting, Colonel Edwards promised to check the points in question and advise RPA later by telephone. A few hours later Colonel Dubois informed Mr. Spaeth by telephone that (1) the Uruguayan Military Attaché would not have to make any additional requests for the material now available, since the International Division of the War Department would transmit directives to the Munitions Assignment Board directly; (2) the suggestion be made to the Uruguayan Embassy that Uruguay make available the SS *Colonia* for transporting the arms and ammunition in question to Montevideo; (3) the War Department advised its Military Attaché in Montevideo some three weeks ago that six AT–11's would be made available to the Uruguayan air force on the condition that Uruguay request an air mission. (No reply has yet been received.)

Mr. Spaeth and Mr. Henderson expressed their sincere appreciation to Colonels Edwards and Dubois over the prompt and effective manner in which they had fulfilled their part of the agreements reached in the October 12 meeting.

833.24/11–3044

The Secretary of State to the Ambassador in Uruguay (Dawson)

No. 2277 WASHINGTON, November 30, 1944.

SIR: I transmit for your confidential information and files of the Embassy a copy of the Department's note of even date to the Uruguayan Embassy in Washington,[42] together with Statement LL–2,[42] prepared by the Foreign Economic Administration showing charges made against the Government of Uruguay during the period from May 1 through August 31, 1944 covering articles transferred under the terms of the Lend-Lease Agreement signed on January 15 [*13*], 1944 [*1942*].

It will be noted that the total charges made through August 31, 1944 for all lend-lease articles transferred to the Government of Uruguay aggregate the grand total of $2,384,159.74.

In this connection and with reference to the Embassy's despatch no. 1387 dated August 7, 1942 [42] you are informed that according to

[42] Not printed.

a letter dated August 30, 1944 from the Foreign Economic Administration [44] the Government of Uruguay has made three payments in accordance with the terms of the Agreement, the sum total amounting to $3,900,000.

Very truly yours, For the Secretary of State:
DEAN ACHESON

833.24/12–1644 : Telegram

The Secretary of State to the Ambassador in Uruguay (Dawson)

WASHINGTON, December 16, 1944—3 p. m.

722. ReDepts 635 November 6, 6 p. m.[44] Pursuant to arrangements for additional allocations of matériel under Lend-Lease to Uruguay the Munitions Assignment Board has informed the Uruguayan Military Attaché here that 28 model M–3A–1 tanks have been allocated to Uruguay. Colonel Farías, upon learning that these tanks would be reconditioned and not new, has written a letter to War Department stating in strong terms that Uruguay will not accept delivery of anything but new equipment. Farías has also informally expressed considerable annoyance to Department over this "new and inexplicable" attempt to send "used" matérial to Uruguay stating that the last time this occurred he informed War Department, under instructions from his superiors in Montevideo, that in future no used equipment would be accepted.

War Department in view of fact (*a*) that similar reconditioned units are being supplied to our own forces on battlefronts, and (*b*) that it has gone to considerable pains to obtain tanks in question for Uruguay (there being no new tanks available), is about to reply to Colonel Farías in equally strong terms to the effect that shipment of tanks will be cancelled immediately.

Such a development would obviously be extremely unfortunate. Department, in order to forestall this, has discussed matter informally with Uruguayan Ambassador with following results: (1) Ambassador Blanco proposes to have tanks inspected by Military Attaché here with a view to recommending that they be accepted if he finds them satisfactory; (2) War Department has agreed to reconditioning one of the tanks for inspection purposes in spite of Colonel Farías' stand; (3) Ambassador Blanco has telegraphed Foreign Office to obtain approval for this procedure; (4) The Ambassador believes that a word from you to the Uruguayan Minister of National Defense might influence decision.

[44] Not printed.

You are therefore requested in your discretion to discuss this matter informally with General Campos in accordance with information set forth above.

STETTINIUS

833.24/12–1844 : Telegram

The Ambassador in Uruguay (Dawson) to the Secretary of State

MONTEVIDEO, December 18, 1944—5 p. m.
[Received 5 : 03 p. m.]

1189. Department's 722, December 16. I have discussed informally with General Campos the matter of tanks allocated to Uruguay emphasizing that War Department went to considerable pains that reconditioned units are furnished our own fighting forces and that new tanks are not available.

He said he would explain this situation fully, referring matter to appropriate officials for consideration. Without committing himself he expressed informal opinion that reconditioned tanks should be acceptable if otherwise satisfactory. He made point that in his opinion an important consideration would be that tanks have substantially same improvements as 12 tanks recently furnished Uruguay (with which according our Military Attaché Uruguayan military are delighted). Campos mentioned as particularly important that tanks be equipped with automatic fire extinguisher in motor compartment and intercommunication system for crew.

DAWSON

ARRANGEMENTS REGARDING THE CONTROL OF EXPORTS FROM THE UNITED STATES TO URUGUAY [45]

833.24/1086

The Ambassador in Uruguay (Dawson) to the Secretary of State

[Extracts]

No. 3992 MONTEVIDEO, February 29, 1944.
[Received March 8.]

SIR: . . .

. . . . . .

The Embassy has elected to reply within this despatch to the Department's circular telegraphic instruction of February 12, 3 p. m.[46] in order that the Department may be informed concerning the reactions shown by the Uruguayan Country Agency [47] to the efforts of

[45] Continued from *Foreign Relations*, 1943, vol. v, pp. 282–291.
[46] *Ante*, p. 738.
[47] Office of Export and Import Control.

the Embassy to convey in concrete form the idea of the general policy of the Department with respect to the future control of exports both in the United States and in the countries of destination.

The Embassy accepts, as a statement of policy which will hereafter guide its actions in all matters of export control, the verbatim statement of the Department in the telegraphic instruction under reference to the effect "that the time has arrived to commence further progressive and orderly rollbacks of the plan in order to do away with excessive documentary controls in the field, to accommodate the changing production situation in this country, and to avoid endangering our trade position in the future by continuing documentary controls which might develop into trade barriers which may throttle movement as the emergency lessens".

In its conversations with the Country Agency, of course, the Embassy can refer only to the mutual advantages accruing from the elimination of excessive documentary controls and to the extent such a simplification process benefits the changing production situation in the United States.

The fact that the Embassy was in a position to notify the Department promptly of the agreement of the Uruguayan Country Agency to the elimination of the five commodity groups under reference does not signify that this government organization extended immediate approval, without discussion, to this change in procedure, or that it has acceded, without resistance, to the previous similar changes. The Embassy believes the speedy concurrence in the Foreign Economic Administration proposals was due to its emphatic insistence on the point that any disagreement on the part of the Uruguayan Country Agency with the policy of our government in the matter of its export controls, both in the United States and in the field, could react unfavorably to Uruguay's supply situation. The Embassy advises the Department of the course it has adopted in presenting to the Country Agency these control amendments, and trusts it has not exceeded its prerogative as outlined in the Department's instructions.

. . . . . .

The difficulty facing the Embassy in carrying out the announced policy of the Department will lie in the task of dissuading the Uruguayan government agency from adhering to certain of its organic import and exchange controls, most of which predate the war period and which, instead of being weakened, have been strengthened by coordination with our own wartime controls. If the authorities of our government could eliminate entirely the Decentralization Plan

A [48] procedure there would still exist in Uruguay a completely defined procedure capable of imposing the same restrictions and defeating the changes which the Department and our government desire, as set forth in the Department's statement of policy.

The unavoidable severity of the restrictions maintained by our Government during the past two years on the exportation from the United States to Uruguay of the materials and products most needed by this country have caused many, even among importers of long experience, to lose sight of the fact that, during the same period, the same limitations might have been imposed from this end by the Country Agency, acting as an exchange control body, entirely within the functions delegated to it by the National Assembly and the Executive Power. The fact that during this period our government's limitation of exportations rendered unnecessary the initiative of the Country Agency in holding down importations to Uruguay in no way served to weaken the powers inherent in the Uruguayan official control entity.

. . . . . .

Attention is called to the fact that, in its written agreements to the five rollbacks under reference, in only one instance did the Uruguayan Country Agency fail to cite its prerogative in import and exchange control. The exception was in the case of petroleum products. In the other four written agreements appears the paragraph, translated from Spanish, as follows:

"It should be well understood, however, that importations of materials embraced within the commodity groups under reference always are subject to the authorization and the granting of exchange on the part of our organization."

Notwithstanding this very concrete statement of policy on the part of the Country Agency, the Embassy feels confident that, eventually and by patient effort on its part, any local control, documentary or otherwise, which, to quote the Department's instruction "might develop into trade barriers which may throttle movement as the emergency lessens" will be, if not entirely removed, at least greatly modified.

The Department will understand that the efforts of the Embassy will be directed constantly toward the task of convincing the Uruguayan Country Agency of the lack of necessity of those of its existing import controls which might endanger our trade position in the future.

Respectfully yours, For the Ambassador:

ROBERT G. GLOVER
Commercial Attaché

[48] The plan to decentralize the control of American exports, entrusting a part of supervision to a country agency in each country.

833.24/1122 : Airgram

The Ambassador in Uruguay (Dawson) to the Secretary of State

MONTEVIDEO, March 25, 1944—11 a. m.
[Received April 1—4 p. m.]

A–178. I desire to refer to Embassy's despatch no. 4082 of March 20, 1944,[50] concerning distribution of newsprint in Uruguay and particularly to last two paragraphs.

I feel strongly that it would be greatly to our interest to relieve Embassy of all participation in and responsibility for distribution of newsprint. In my opinion, the most satisfactory arrangement would be that previously recommended by the Embassy (and again recommended in despatch no. 4082) under which all newsprint would be consigned to the Bank of the Republic and the Country Agency (Office of Export and Import Control) would be solely responsible for distribution. I consider distinctly less advisable the alternative arrangement suggested in penultimate paragraph of despatch no. 4082 under which Canadian Legation in Buenos Aires would direct distribution.

Unfortunately the Department's efforts and those of the Embassy to help the local press in the matter of newsprint have not brought us the good will we were entitled to expect. Our experience thus far shows clearly that most newspapers are only too prone to forget the assistance we render and to hold us responsible when things go wrong. I heartily concur in the opinion of the Commercial Attaché that under any arrangement providing for the Embassy's intervention in any way in distribution, the newsprint problem will continue to be a source of constant difficulty adversely affecting our general position here.

In this connection I should add that there is evident a growing tendency in commercial and other circles to accuse the United States of undue interference not only in Uruguay's economy but also in other aspects of Uruguayan life. In order to counteract this situation which is of course being exploited by our enemies, our intervention in matters affecting Uruguayan economy should be reduced to a minimum wherever this can be done consistently with the war effort.

To sum up: For reasons of general policy and because of the specific situation as respects newsprint I believe it extremely desirable that the Embassy be relieved of all participation as respects distribution and that the entire responsibility be lodged with the Country Agency at the earliest possible moment. I trust the Department will give the matter its urgent consideration.

DAWSON

[50] Not printed.

833.24/1133 : Telegram

The Ambassador in Uruguay (Dawson) to the Secretary of State

MONTEVIDEO, April 11, 1944—noon.
[Received 2:42 p. m.]

338. Our study of situation supplemented by consultation with appropriate Uruguayan agencies forms basis for following reply to your 197 April 7.[51]

1. Uruguay is dependent on Argentina for following products critically necessary to its economy, quantities being shown on annual basis: Anhydrous ammonia 95,000 lbs., potassium chlorate 260,000 lbs., liquid chlorine 30,800 lbs., carbon disulphide 10 metric tons, salt 40,000 metric tons, calcium borate 485,000 lbs., sodium sulphate 9,000 lbs., quebracho extract 3,000 metric tons, barium sulphate 400 metric tons, gypsum 7,000 metric tons, mechanical wood pulp 1,000 metric tons. In undetermined quantities hardwood, railway sleepers, talc for white cement, vaccines and antitoxins for animal diseases, alfalfa seed, molasses and corn for alcohol, and seed potatoes.

2. Government circles do not appear to be seriously concerned over present or future Argentine economic sanctions. This may be due to their failure to appreciate potential threat to Uruguayan economy or to their belief that difficulties are only temporary and normal relations will shortly be reestablished. For present government is concerned principally over political aspects and possible repercussions while public opinion is aroused over petty molestation of travelers.

3. If Argentina continues to withhold export permits, Uruguay will require assistance and we should be prepared to assist with respect to articles listed above either by supplying them ourselves or arranging a source of supply.

4. An actual emergency exists as respects anhydrous ammonium, liquid chlorine, and carbon disulphide. See my 118 January 27 and your 67 February 3,[52] concerning ammonia. We recommend that our Government facilitate immediate exportation of 15,000 lbs. liquid chlorine in cylinders to be supplied by shipper. Duperial, local affiliate of Dupont, has cabled latter regarding this matter. Uruguayan Government urgently needs 10,000 kilos of carbon disulphide for disinfecting seed wheat held in deposit for next planting. Please advise whether this quantity is available and name of supplier.[53]

5. If Uruguay's monthly quota of newsprint could be increased by 100 tons, this would make excellent impression on press and government. For psychological effect here and in Argentina, such an

[51] Not printed.
[52] Neither printed.
[53] In telegram 210, April 15, 1944, 7 p. m., to Montevideo, the Embassy was advised that the supplies mentioned in this paragraph were apparently available and arrangements were being made for emergency shipments (833.24/1133).

increase would be very opportune and for same reason every effort possible should be made to supply immediately the three products listed under 4.

Repeated to Buenos Aires.

DAWSON

833.24/1116

The Secretary of State to the Ambassador in Uruguay (Dawson)

No. 1982 WASHINGTON, April 12, 1944.

The Secretary of State refers to the Embassy's despatch no. 4082 of March 20, 1944,[54] concerning newsprint distribution in Uruguay.

The Department has found the Embassy's cooperation with respect to the adequate distribution of newsprint very helpful and regrets that the original method proposed and planned by the Embassy, in which the Banco de la República would make the newsprint distribution according to actual requirements, was not successful owing to the distributors of the Canadian newsprint not desiring to implement the newsprint distribution system.

Relying upon the Embassy's statement, contained in its letter of introduction[55] of Mr. Richard H. Hughes[56] dated January 7, 1944, that there would be no objection to any plan that Mr. Hughes might propose providing that the plan would result in the equitable distribution of newsprint and remove from the Embassy all responsiblity in the matter, the Department acquiesced to a plan set forth by the Canadian Newsprint Administrator, the Canadian mills, and their selling agents. The plan was explained in the Department's instruction no. 1879 of February 5, 1944.[57] Mr. Hughes participated in the meeting as an accredited representative of the Asociación Gráfica[58] and carried proper credentials.

The Department was reluctant to abandon the Embassy's original plan of distribution but that was the only way to obtain cooperation from the mills in order adequately to keep newsprint moving in a regular manner. There should be no excuse now for non-shipment of newsprint to every consignee.

The first shipments under the new plan will start during April and it is hoped that extra tonnage can be shipped at once to create the backlog against any emergencies that may arise. This will constitute

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[54] Not printed.

[55] Not printed; addressed by the Commercial Attaché to Christian M. Ravndal, Foreign Service Officer and former member of the Board of Economic Operations.

[56] Representative of Moor, Davie and Company of Montevideo, agent of Price Brothers and Company, one of two Canadian firms supplying Uruguay with newsprint.

[57] Instruction not printed.

[58] Asociación Gráfica del Uruguay; in its membership were represented most of the principal newspapers and periodicals of Uruguay.

the three months' stock position which the Department has attempted to foster.

The Department hoped that the new plan might have relieved the Embassy of the constant turmoil regarding newsprint deliveries and it was for that reason that the Canadian suppliers' plan was accepted. The complaints against the new plan by the importing newspapers are premature.

Upon reviewing the newsprint file, it is felt that neither the Embassy nor the Department will ever be held blameless by the newspapers no matter what plan be followed. As far back as September 7, 1942, according to Embassy's telegram no. 784,[59] there was a general feeling among newspapers that this Government had let the local press down, and many subsequent complaints were registered with the Embassy, the Department, the Coordinator's Office,[60] and the Uruguayan Embassy in Washington regarding every phase of newsprint manufacture and delivery. The Department always has maintained that any question of a commercial nature between the suppliers and consumers was one to be settled between the principals involved and not the Embassy.

The ramifications of the entire newsprint supply situation, as it affects manufacture, distribution, shipment, division between countries of origin, and ultimate allocation, are very great and cannot be described herein, but taking all matters into consideration, and aside from whether this Government receives proper credit from the recipients of the newsprint, the Department is satisfied that for the past several months every newsprint consumer has received a sufficient amount of newsprint to maintain publication on a slightly restricted basis. The present allocation of 900 long tons monthly represents only a little more than a seven percent curtailment as compared with a much larger restriction on American publications.

There is no acute shortage of newsprint in Canada, in so far as newsprint supply to the other American republics is concerned, nor has the price been increased other than an upward revision in freight rates owing to the curtailment of the American subsidy to freight carriers of newsprint. The Department has obtained a bulk newsprint allocation for all of the other American republics.

. . . . . .

In view of the foregoing, and as mentioned herein, the Embassy is requested to allow the present Canadian suppliers' plan to operate through the third quarter of 1944, taking careful note of arrivals, equitable supply, and whether general dissatisfaction ensues. If, after a trial is given to the new plan, and, in the opinion of the Embassy, it is not feasible, the Embassy should notify the Department.

[59] Not printed.
[60] Office of the Coordinator of Inter-American Affairs.

In reply to the Embassy's airgram A–178 of March 25, 1944, the Embassy need not participate further in the newsprint distribution. The suppliers are now shipping newsprint in accordance with existing contracts and the entire matter is a commercial transaction. The initial consignee is still the Bank of the Republic and the Uruguayan Government can regulate the distribution of newsprint and limit the use thereof according to existing decrees. The quota for Uruguay is 900 long tons of newsprint monthly, which is now being documented and shipped as outlined in the Department's instruction no. 1879 of February 5, 1944.

The Embassy should continue to report the monthly arrivals of newsprint as heretofore, and, if necessary, bring to the attention of the Department such matters as inequitable distribution, tardy shipments, excessive damage upon arrival, et cetera. The Embassy will act as liaison between the country agency and newsprint importers and the Department.

The Department agrees that everything should be attempted to relieve the Embassy of all responsibility for and participation in newsprint distribution. The present Canadian suppliers' plan is a step in that direction and deserves a trial.

103.9169/3889 : Airgram

The Ambassador in Uruguay (Dawson) to the Secretary of State

MONTEVIDEO, May 27, 1944—11 a. m.
[Received June 3—2 p. m.]

A–279. For Crowley [61] and Dodson,[62] Foreign Economic Administration. Reference is made to Circular Airgram instruction of March 30, 1944 [63] treating of the project of a further rollback of Decentralization to a minimum positive list as of July 1, 1944, and requesting the Embassy's confidential report on its reaction to this proposal.

In Embassy's airgram A–117 of March 1 [63] and Despatch No. 3992 of February 29, an endeavor was made to present to the Foreign Economic Administration and the Department of State a comprehensive background of the entire question of control rollbacks, especially as these related to the functional routine and the attitude of the Country Agency.

Sufficient time has now elapsed to make it possible to appraise at their true importance the reactions which have been shown by the Country Agency and the Uruguayan importer to relaxations already effective. As a result of this appraisal, the Embassy feels that it

[61] Leo T. Crowley, Foreign Economic Administrator.
[62] Raymond I. Dodson, Assistant to the Director, Pan American Branch, Bureau of Areas, F.E.A.
[63] Not printed.

is in a position to discuss more intelligently the subject of a further rollback of Decentralization to a minimum positive list.

The Embassy favors the elimination of export controls in the United States relating to Uruguay as well as the joint import controls in Uruguay as rapidly as the emergency permits their discontinuance.

The Embassy, as the Foreign Economic Administration and the Department have been advised in its previous communications referred to herewith, undoubtedly will encounter difficulties in explaining control relaxations to the Country Agency, but feels confident that, in the end, it will be able to impose the point of view of our Government.

The serious task facing the Embassy will be that of obtaining a parallel rollback of the Country Agency's organic import and exchange controls to avoid the neutralization of our government's relaxations in export controls. This condition has been explained most recently in the Embassy's despatch and airgram already under reference.

A development related to the recent simplification of the Import Recommendation form will reflect the problem continually confronting the Embassy. The new form does not contain spaces for the indication of prior imports. The Foreign Economic Administration's instructions clearly covered this omission and the reason for such deletion was communicated to the Country Agency. Nevertheless, the Country Agency has prepared its own supplementary form for this information, basing its action upon its need of such data in establishing the equitable division of estimates of supply. The Embassy made an observation on this point but did not regard it as opportune to adopt a positive stand at this time.

The Embassy's affirmative opinion as to further rollbacks of Decentralization is founded on basic reasons closely related to future export trade rather than upon any favorable impression thus far made locally by relaxations in the joint control.

The exact situation is that the Uruguayan importer in general has become accustomed to the paper work of the Import Recommendation procedure. The importer is now most concerned in obtaining materials from the United States and seems not to chafe under routine requirements if he can obtain them. Until now the elimination of form-filling routine has not been accompanied by a sufficient loosening in supply to cause any favorable comment on the part of the importer. The fact is that, at this end, the rollbacks thus far have been misunderstood and taken as reflecting a more generous supply policy on the part of our government.

In an endeavor to analyze the Uruguayan importers' reaction to the present joint control, the Embassy has arrived at the conclusion that this control is a symbol to the importer of scarce limited and restricted

supply and that the importer regards the removal of controls as implying that the supply situation with respect to the materials involved has improved.

The general plaint of the Uruguayan importer is that he can import freely from the United States, merchandise which the Uruguayan market neither knows nor needs, while there are many materials which, with or without Import Recommendations, he cannot obtain and which he and the market really want and urgently require.

The Embassy hopes that, in the announcement of a further rollback to a minimum positive list, the exact relation of the relaxations in control to the possibilities of unrestricted exports will be made very clear.

DAWSON

833.24/1199

The Ambassador in Uruguay (Dawson) to the Secretary of State

No. 4415 MONTEVIDEO, June 3, 1944.
[Received June 12.]

SIR: I nave the honor to refer to the Department's Confidential Instruction No. 2017 of May 13, 1944,[64] advising the Embassy of the successful steps taken by the Department to obtain an increase of 100 tons per month in the newsprint quota for Uruguay and explaining the Department's recent action with respect to the implementation of newsprint distribution in Uruguay as having been taken for the purpose of relieving the Embassy of all responsibility for and participation in this distribution.

In accordance with the instructions from the Department, the Embassy announced the increased newsprint quota in a letter to the Asociación Gráfica del Uruguay, the organization which, as the Department knows, represents in its membership most of the principal Uruguayan newspapers and periodicals. The communication clearly stated that the increase would be reflected in the distributions made by the Canadian suppliers and that it was hoped that the increase would become effective at the beginning of the third quarter of 1943 [*1944*]. The communication added that any details related to the increase in the quota should be referred by the Asociación Gráfica del Uruguay or by its individual members directly to the representatives in Montevideo of Canadian suppliers.

The Embassy has the pleasure of advising the Department that the action of the Department has met with a spontaneous and grateful response from the Montevideo press. Practically all the local newspapers mentioned the matter of the increase and, in calling the attention of their readers to this new gesture of friendship on the part of

[64] Not printed.

our government, emphasized the importance of such a decision in the midst of the serious newsprint supply situation in the United States and Canada and in the face of the restrictions now being imposed upon the consumers of newsprint in those countries.

In line with the Department's latest instruction under reference, the Embassy is continuing to refrain from any participation in the local distribution of newsprint. Upon the receipt of the Department's earlier instruction the Embassy permitted it to become generally known among consumers of newsprint that, in the future, all supply problems should be directed to the local representatives of the Canadian suppliers. Since that time practically no complaints have been brought to the Embassy. The Department will undoubtedly recognize with the Embassy that, in the case of serious delays in newsprint arrivals, in individual cases of newsprint shortages, and in other urgent situations in newsprint supply, the Embassy, during the emergency, will probably always be the point of final appeal. However, every effort will be made to disclaim any responsibility for such situations, and the Embassy will make it clear that any intervention on its part will only be that of a transmittal agency bringing the emergency to the attention of the proper authorities for remedial action.

The Embassy is able to advise the Department that the Department's recent action with regard to newsprint distribution has until now been most successful in relieving the Embassy of the continual consideration of unpleasant problems related to this distribution.

Respectfully yours, For the Ambassador:
ROBERT G. GLOVER
Commercial Attaché

103.9169/3948 : Telegram

The Ambassador in Uruguay (Dawson) to the Secretary of State

MONTEVIDEO, June 7, 1944—4 p. m.
[Received 4: 55 p. m.]

521. The proposal to shrink the import recommendation procedure to the positive list as transmitted in circular airgram May 25 [65] to become effective July 1 is acceptable to Country Agency. However, Country Agency accepts relaxation only as it refers to joint controls and in so far as proposal does not encroach upon local procedure. The problems confronting the Embassy in obtaining relaxations in local import controls parallel to roll backs in export controls in the United States are presented comprehensively in dispatch number 3992, February 29, A–117, March 1 [66] and A–279, May 27.

[65] Not printed; for content, see footnote 64, p. 744.
[66] Airgram A–117 not printed.

It is recommended that every effort be made to provide that news service announcements of roll back do not precede the local announcement and that the Embassy be advised as early as possible as to when this local announcement may be released. In the instance of previous roll backs news despatches generally garbled and incomplete have been published prior to official announcement by Country Agency. This has made Embassy's position difficult with that organization.

For local effort, it should be desirable if official announcement by FEA could give some approximation of the relation between the relaxation in control and the availability for export of the commodities released from Decentralization Procedure.

DAWSON

103.9169/4042 : Airgram

The Ambassador in Uruguay (Dawson) to the Secretary of State

MONTEVIDEO, June 8, 1944—noon.
[Received June 15—3 p. m.]

A–305. For Crowley and Dodson, Foreign Economic Administration. Reference is made to the Department's circular airgram of March 31, 1944, 7:00 p. m.[67]

It has been the policy and practice of the Embassy, since the initiation of the Decentralization Procedure, to cooperate closely with the Country Agency in screening all projects and programs calling for the Embassy's assistance in obtaining materials which could not be made available under existing Estimates of Supply. In each individual case supported, the Foreign Economic Administration has been informed, either in a despatch or in a simple memorandum attached to the Import Recommendation, of the pertinent facts and has been requested to approve the application upon an ex-quota basis. In practice, although a large number of such requests have received favorable consideration, no Estimate of Supply has ever been affected nor has the Country Agency ever been requested at any time to use for a specific project or program a part of Estimates of Supply destined for general requirements. It is believed that, as a result of the successful operation of this system, the Country Agency has been more receptive to appeals for assistance and has examined more closely each individual case, instead of flatly refusing to consider any request for materials not available under existing allocations. This would be especially true in the case of commodities in great demand and with relatively small allocations.

The Embassy has hesitated, therefore, in informing the Country Agency of the proposed modification of procedure, believing that

[67] Not printed.

the Country Agency will strongly oppose prior approval of Import Recommendations which might later affect available allocations for general requirements and will adopt the attitude of refusing to consider special projects or programs whose approval upon an ex-quota basis is not assured. The Country Agency has scrupulously endeavored to avoid any possible charges of favoritism and such accusations would undoubtedly be made if any individual applicant received unduly large quantities of critical materials at the expense of the consumers in general.

It is therefore respectfully requested that examination be made of the past procedure of the Embassy in handling locally sponsored projects, programs or requests for materials on an ex-quota basis. In general, this procedure has been in close accord with that proposed, with the exception of possible subsequent charges to allocations for general requirements. If the Foreign Economic Administration concurs with the Embassy's opinion that discussion of the latter point with the Country Agency is unwise, it is suggested that the present system be maintained and that in the future, no approval be given to any project or program which might affect general allocations. The observations of the Foreign Economic Administration on this point are respectfully requested.

DAWSON

103.9169 Montevideo : Airgram

The Ambassador in Uruguay (Dawson) to the Secretary of State

MONTEVIDEO, June 10, 1944—11 a. m.
[Received June 17—8 a. m.]

A–310. For Foreign Economic Administration. Reference is made to Embassy's telegram no. 521, June 7, 1944. The Embassy's telegram under reference announced the Uruguayan Country Agency's acceptance of the proposal of Foreign Economic Administration to shrink the Import Recommendation procedure to the positive list as transmitted in circular airgram of May 25,[68] the change to become effective July 1st, 1944.

The Embassy presented this new rollback of Decentralization to the Country Agency as a definite project and flatly on the basis that Foreign Economic Administration would not require Import Recommendations to accompany applications for export licenses after July 1st, 1944, except in the cases of applications covering the commodities appearing in the positive list.

The Embassy's decision not to present the proposal to the Country Agency as a matter for consideration, the course anticipated in the airgram instruction under reference, was prompted by its belief that

[68] Not printed.

such a procedure held possibilities of creating an impasse and a delay which could defeat what is accepted as the desire of Foreign Economic Administration to obtain for the rollback the unanimous approval of all countries included in Decentralization. The background for this action of the Embassy can be found in Embassy's despatch No. 3992, February 29, Airgram A–117, March 1st,[69] and Airgram A–279, May 27th. These communications also cover the subject of Uruguay's independent trade controls.

The Embassy has deleted coal and coke from the positive list for Uruguay and, unless otherwise instructed, will permit this action to stand while the present procedure in coal shipments and distribution continues. The deletion was due to the fact that the Country Agency had already established a precedent by eliminating coal imports from Decentralization. The Country Agency, at the beginning, adopted a firm though friendly stand in declining to consider Import Recommendations for coal, taking the position that its approval of the same would be only *pro forma* and consequently of no value. However, the Country Agency has expressed confidentially a preference for the separation of coal from Decentralization. This privately communicated attitude of the Country Agency is based upon the fact that certain existing Uruguayan laws governing coal control would, if the organization should intervene in any coal requirement procedure, compel it to take an action which could only produce complications.

The Embassy, in its previous communications on rollbacks, has endeavored to indicate that, at least in Uruguay, the importer has come to associate our export controls as directly related to supply. Despite the completeness of explanations to the contrary, the Uruguayan importer persists in the belief that, when an export control is removed from a material by our government, the material is in unrestricted supply. It is for this reason that the Embassy has, in its previous communications, stressed the point that it would have a beneficial effect locally if announcements by Foreign Economic Administration could present as closely as possible the relation between the relaxations in control and the availability for export of the commodities released from Decentralization procedure.

There have been eliminated from Decentralization procedure numerous commodities which, until now, have been under Estimates of Supply, and which, according to current information, are still in either scarce or limited supply in the United States. Many of these Estimates of Supply have represented only a fraction of Uruguay's requirements in normal years of the commodities in question and have not even approached the most essential requirements of the country during the present emergency period.

[69] Airgram A–117 not printed.

The Uruguayan Country Agency, in numerous instances, has received applications for materials covered by these Estimates of Supply in quantities representing up to 20 times the amount of the Estimate of Supply. Of course, these materials will continue to be shipped from the United States to Uruguay. The Embassy confesses some anxiety in the matter of the program which will be adopted by Foreign Economic Administration to cover shipments of these materials which are not in abundant and unrestricted supply. The Embassy does not even imply a belief that Foreign Economic Administration has not foreseen this problem but, in view of the serious relation its solution bears to the possibility of a tightening of the independent trade controls of Uruguay, the Embassy is eager to learn at the earliest moment possible the means which Foreign Economic Administration will adopt to administer an equitable distribution among the importers of Uruguay of the exports of materials in restricted supply.

DAWSON

103.9169 Montevideo : Airgram

The Ambassador in Uruguay (Dawson) to the Secretary of State

[Extract]

MONTEVIDEO, June 23, 1944—4 : 30 p. m.
[Received July 3—8 a. m.]

A–333. For Crowley and Zopf,[70] Foreign Economic Administration. Reference is made to Department's airgram A–196, May 2, 1944, 3 : 35 p. m.[71]

The emergency in Uruguay's supply situation precipitated by the denial of export permits by the Argentine Government, creating a virtual embargo on exports of many materials required by Uruguay, has eased considerably. The major factor in bringing about this improvement has been the quick action on the part of the authorities of our government in licensing and shipping those materials most urgently needed. Furthermore, Argentina recently has permitted shipments to Uruguay of various materials urgently required.

The supply situation of water purification materials, liquid chlorine, bleaching powder, anhydrous ammonia, and aluminum sulphate is no longer critical. The Department's telegram no. 353 of June 17, 1944, 11 : 45 a. m., announces the licensing and early shipment of aluminum sulphate referred to in Embassy's telegram no. 540 of June 9, 1944.[72] One small shipment of liquid chlorine has arrived from Argentina, but the information is that no other shipments are

[70] Homer Zopf, Chief, River Plate Division of F.E.A.
[71] Not printed.
[72] Neither printed.

expected for the present. This information comes from Industrias Químicas Uruguayas "Duperial" which is affiliated with the Argentine establishment producing liquid chlorine.

The anhydrous ammonia situation of the four *frigoríficos* engaged in the fulfillment of bulk contracts, in view of present stocks and shipments, scheduled from the United States, seems secure. The Embassy has sought to clear up the confusion with respect to pending orders for Frigorífico Nacional in its telegram no. 533 of June 8, 1944, 6:00 p. m.,[73] which stated that all pending documents covering anhydrous ammonia for Frigorífico Nacional should be cancelled and that new Letters of Approval would be issued as rapidly as empty cylinders are returned to the United States. If "Duperial" receives the shipment referred to in Embassy's telegram no. 436 of May 11, 1944, 11:00 a. m.,[73] the entire anhydrous ammonia supply situation will be at normal.

A shipment of three tons of carbon disulphide has been received from Argentina caring for the emergency situation related to the disinfecting of seeds. The shipment of ten metric tons of carbon disulphide from the United States will provide stocks for a protracted period.

With respect to the empty cylinders for anhydrous ammonia and liquid chlorine shipments, measures have been adopted by all consumers, upon the suggestion from the Embassy, to the end that the prompt return to the United States of these empty cylinders for refilling will be assured. A report on the cylinder situation estimating the number that will be returned during the balance of the current year, is being forwarded.

The Embassy interprets the airgram instruction under reply to indicate interest only in those materials generally supplied by Argentina which it is considered must be obtained for the present from the United States, and as requesting a recommendation of the minimum essential requirements during the third and fourth quarters of 1944 and the first and second quarters of 1945 of these same materials. The number of these materials has been greatly reduced by the loosening of export permits by the Argentine Government.

Uruguayan consumers of salt and gypsum do not believe that their supply from Argentina will be interrupted. Shipments of quebracho extract are being received from Argentina without difficulty. The Servicio Oficial de Semillas of the Uruguayan Government has arranged for Argentine seed potatoes for first crop planting under the normal procedure. A request for seed potatoes from Canada or Maine for the second crop planting, following the procedure of recent years, will be forthcoming shortly. A separate communication

[73] Not printed.

will be transmitted covering the seed potato situation. Paper manufacturers state that they will not require mechanical woodpulp either from Argentina or the United States.

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DAWSON

833.24/7–1544 : Telegram

The Secretary of State to the Chargé in Argentina (Reed)

WASHINGTON, July 15, 1944.

1140. Our Embassy in Montevideo reports that a serious situation in *frigoríficos* may soon result from action of Argentine Government in denying all export permits for shipment of salt to Uruguay. Please report immediately whether there is a shortage of salt in Argentina or whether we should interpret the action of the Argentine Government as an economic sanction against Uruguay.

HULL

833.24/7–1844 : Airgram

The Chargé in Argentina (Reed) to the Secretary of State

BUENOS AIRES, July 18, 1944—1 p. m.
[Received July 29—2 p. m.]

A–582. The following is a more detailed explanation of the Embassy's reply in its cable No. 1860, July 17, 1944, 8 p. m.[74] which was sent in reply to the Department's cable No. 1140, July 15, 1944, regarding the prohibition of exports of salt from Argentina to Uruguay.

The Embassy contacted four of the local *frigoríficos* and the two largest local salt suppliers and the consensus of opinion of these firms is that the prohibition of salt exports to Uruguay represents a definite economic sanction against Uruguay. All four of the *frigoríficos* contacted had made applications for shipment of salt (which they were carrying in stock) to their branches in Uruguay. These applications were turned down by the Argentine Government. Applications for exports became necessary under a decree issued early in July to the effect that exports of salt were subject to the granting of a prior export permit by the Argentine Government. One *frigorífico* mentioned that it had regularly shipped hides from its branch in Uruguay to its Buenos Aires plant where the hides were salted and then placed on steamer for export shipment. The Government has now informed this *frigorífico* that it can no longer use the salt which it carried in stock in Buenos Aires but must ship Uruguayan salt along with the hides if the salting is to be done in Buenos Aires or else handle the salting in Uruguay.

[74] Not printed.

The question had been raised as to whether or not the prohibition of salt exports was due to a shortage of salt in Argentina. The *frigoríficos* explained that the salt they intended to ship was really carried as stock by their firms. The salt suppliers further stated that there is no shortage of salt in Argentina, that they produce according to demand and that they could increase production at any time to meet any increased demand. Production in 1943 was approximately 500,000 tons and total shipments to Uruguay represented only about 2 per cent of this figure. A glance at exports shows that in 1943 total exports of salt amounted to 109,401 tons. During the first three months of 1944, only 12,000 tons were shipped, mostly to Brazil, but during the second three months of this year, 54,000 tons were shipped; the total for the first six months 66,324 tons, representing little more than one-half of shipments during 1943. Therefore, although shipments within the last two months may be considered as greater than normal, they still represent no extraordinary increase which could not be handled immediately from local production.

Trade information indicates that Brazil is importing large quantities of salt from Argentina due to the fact that its own supply is short. Brazil apparently produces marine salt which is shipped from northern Brazil to the great consumption centers in the South. Shipping is difficult at the present time and the southern part of Brazil has, therefore, been unable to receive its normal supply. Imports can be obtained from Spain but the Spanish salt is much more expensive than the Argentine product and therefore Brazil has turned to Argentina for its supply. Argentina is naturally anxious to ship products of any sort to Brazil to balance its huge imports from Brazil and would, therefore, much prefer Brazil to Uruguay as a market for salt exports.

REED

833.24/7–1944

The Secretary of State to the Deputy War Shipping Administrator (Conway)

WASHINGTON, July 19, 1944.

MY DEAR CAPTAIN CONWAY: The Department is in receipt of urgent cables from the American Embassy in Montevideo which state that the Uruguayan Government has requested assistance for the transportation of from 8,000 to 10,000 tons of salt within the next two months from Areia Branca in North Brazil to Montevideo. This request is the result of recent action taken by the Argentine Government in denying export permits for the shipment of salt to Uruguay. The Embassy has informed the Department that the stocks of salt

held by the *frigoríficos* in Uruguay will last for only sixty days and that the total Uruguayan stocks are sufficient to meet total salt requirements for only ninety days.

In view of the instructions given to the American Embassy in Montevideo that the Uruguayan Government be informed that this Government will extend to Uruguay all necessary economic assistance, and in support of the war effort, the Department very strongly requests the War Shipping Administration to make available sufficient shipping to move the 8,000 to 10,000 tons of salt from Areia Branca to Montevideo within the next two months, if such a movement is found to be necessary.

On the basis of informal talks between Messrs. Darr and Barnicle of the War Shipping Administration and representatives of the Department on July 15 and 17, the American Embassy in Montevideo has been informed by cable that the Department has been assured by the War Shipping Administration that the necessary shipping will be made available for transportation of the salt. This letter is the Department's formal request for assistance in arranging the necessary shipping space on behalf of the Uruguayan Government.

Sincerely yours, For the Secretary of State:
CHARLES P. TAFT
Director, Office of Wartime Economic Affairs

833.24/7–2544 : Telegram

The Ambassador in Uruguay (Dawson) to the Secretary of State

MONTEVIDEO, July 25, 1944—4 p. m.
[Received 7:56 p. m.]

700. While Farrell regime[75] has undoubtedly applied economic sanctions to Uruguay, it is not easy to give a clear picture owing to fact that Argentine action does not appear to have been consistent or clear cut and Uruguayan officials and consignees are often left in doubt as to whether export licenses are denied or merely held up.

Following is based on careful review of information since February 25 and further survey conducted since receipt of Department's circular telegram July 20, 2 p. m.[76]

1. Argentina has denied for several months and continues to deny permits for exports of liquid chlorine, anhydrous ammonia, carbon

[75] For correspondence on U. S. withholding of recognition of the Farrell regime, see pp. 252 ff.; see also correspondence on efforts of the United States to promote a common policy toward Argentina among the American Republics, pp. 288 ff.

[76] Not printed; it requested information on the extent to which Argentina was withholding export licenses as a measure of reprisal (835.50/7–2044).

disulphide and aluminum sulphate. Only exceptions reported have been fifteen pounds of chlorine and three tons of carbon disulphide released to Duperial which confirms that all other applications have been denied. Duperial states that cylinders filled with chlorine for shipment to Uruguay were emptied in Buenos Aires and shipped empty to United States.

2. Salt (my 675, July 14 [79]) is understood to have been placed under export control on June 19 and since then Uruguayan consignees have been informed of the denial of numerous permits. Information received during past few days indicates that a few small shipments may be permitted and there is unconfirmed report that Argentina will grant permits up to 20% of salt applications already filed which total some 10,000 tons.

3. After great delay, Argentina has finally authorized shipment of 10,200 tons of seed potatoes purchased by Uruguayan seed service but requires that a major portion be shipped in cotton bags of Argentine manufacture which will materially increase cost.

4. Export permits for quebracho railway ties are being denied except on barter basis and in exchange for products chiefly metals which Uruguay has thus far declined to export.

5. Sanctions are not known to have affected other products mentioned in Embassy's 338, April 11 possibly because most of them are not included in Argentine export control procedure. However American-owned Cia Uruguaya Cemento Portland is greatly concerned lest gypsum shipments be held up. Company has several applications pending with Argentine authorities.

6. Please see my despatch 4593, July 17 [79] concerning note from ForOf requesting cargo space for perfumery bottles and stating that Argentine Government had prohibited transportation of Uruguayan cargo on Argentine vessels. WSA representative Montevideo [80] reports that on March 2, Uruguayan exporters requested assistance in shipping to Puerto Rico jerked beef formerly shipped on Argentine vessels and no longer accepted. These shipments have since been regularly carried on WSA vessels.

7. As respects treatment of travelers by Buenos Aires customs, see despatch 4092, March 21.[79] According to reports of travelers, situation described therein still continues although security of inspection and obnoxiousness of officials appear to vary from time to time according to temper of individuals and general Argentine mood.

DAWSON

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[79] Not printed.

[80] Ray A. Gibson, representative, War Shipping Administration.

833.24/7–2444

The Assistant Secretary of State (Acheson) to the Deputy War Shipping Administrator (Conway)

WASHINGTON, July 28, 1944.

DEAR CAPTAIN CONWAY: With reference to the Department's letter of July 19, 1944 and your reply of July 24, 1944 [81] concerning a request from the Uruguayan Government for assistance in transporting 8,000–10,000 tons of salt from Areia Branca in north Brazil to Montevideo, the Department has now been advised by the Embassy in Montevideo that the Uruguayan Government has concluded an arrangement with Wilson Sons and Company, Ltd., Montevideo, to ship a minimum of 8,000 tons of salt from the latter's stock in Areia Branca.

In view of the assurances given on July 17 by WSA,[82] the Embassy was advised that shipping space would be made available, if needed. The political effect of these assurances was highly satisfactory, as evidenced by prompt expressions of appreciation received from the President [83] and other Uruguayan officials. Although subsequent telegrams have indicated that small amounts of salt may be released by Argentina and there has been some discussion of other alternative sources, it is nevertheless clear that the Uruguayan Government has definitely decided to proceed with the arrangements. In view of the present tense political situation in the River Plate, which, as a result of the recent release of public statements by this Government [84] and the Argentine Government, has become more acute than at the time of the original Uruguayan request, it is now even more imperative than formerly that the Uruguayan Government find itself in a position to assure the arrival of these supplies irrespective of any Argentine action.

For these reasons therefore, the Department believes that it is absolutely essential that arrangements implementing the prior commitment be concluded for the allocation of shipping to transport the salt in August or early September.

Sincerely yours, DEAN ACHESON

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[81] Latter not printed.

[82] See last paragraph of letter of July 19 to the Deputy War Shipping Administrator, p. 1625.

[83] Juan José Amezaga.

[84] For statement released July 26 on non-recognition of Argentine regime, see Department of State *Bulletin*, July 30, 1944, pp. 107–111.

DISCUSSIONS BETWEEN THE UNITED STATES AND URUGUAY CONCERNING PETROLEUM [85]

833.6363/273

The Ambassador in Uruguay (Dawson) to the Secretary of State

No. 3763 MONTEVIDEO, January 11, 1944.
[Received January 20.]

SIR: I have the honor to refer to my despatch no. 3739 of January 6, 1944,[86] concerning negotiations with respect to the renewal of the marketing agreement between Ancap [87] and the private petroleum companies, transmitting copies of memoranda recently exchanged between the parties, and reporting that, according to representatives of the American companies concerned, a subsequent interview with the General Manager [88] of Ancap had revealed a very intransigent attitude.

Yesterday, I had a further conversation regarding the matter with Foreign Minister Serrato. Referring to my memorandum of November 22, 1943,[89] I recalled that the Petroleum Pool had been established on the basis of the voluntary participation of the various interests concerned, including the petroleum companies; that one of the basic principles was that the relative commercial positions of the companies would remain unchanged for the duration of the Pool's operations; that the Department of State believed that it would be contrary to the general interests of the war effort as well as to those of Uruguay to do anything which might disturb the successful functioning of the Pool; and that the Department hoped that the conversations between Ancap and the companies would result in a renewal for a period sufficiently long to assure the maintenance of the present situation through the conclusion of an agreement consistent with the interests of the common war effort.

I told the Minister that I was informed by the representatives of the American companies that Ancap sought to impose conditions implying important changes which would be contrary to the principle that the relative positions should remain unchanged. I said that the representatives informed me further that it was their impression that Ancap did not give due consideration to the services which the Pool has rendered to Uruguay or to the sacrifices made by the petroleum companies for the war effort. I referred to some of the advantages which Uruguay has derived from the Pool operations and to the relatively favorable treatment which it has received, suggesting that full information concerning this phase of the matter could be obtained from the Uruguayan Chairman of the local Pool Committee.

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[85] Continued from *Foreign Relations*, 1943, vol. VI, pp. 762–774.
[86] Not printed.
[87] Administración Nacional de Combustibles, Alcohol, y Portland.
[88] C. R. Vegh Garzón.
[89] Memorandum not printed.

Sr. Serrato said that he was familiar with what had been done for Uruguay and appreciated the efforts made to assist the country's economy. He said that this was no time to create difficulties for the United States and Great Britain and that he wanted a mutually satisfactory agreement to be reached. He had, he told me, read both Ancap's memorandum of December 24 and the companies' reply of December 29 (copies of which were transmitted with my despatch no. 3739 [90]). He remarked that his own impression was that both documents revealed an unyielding attitude and that both parties were probably sparring for position. He said that he would talk with the Ancap officials and recommend a more conciliatory attitude but that, if they desired to obtain a long-term renewal, the companies must also be prepared to make concessions.

[Here follows a summarization of Ambassador Dawson's impression of the situation.]

Respectfully yours, WILLIAM DAWSON

833.6363/274 : Telegram

The Ambassador in Uruguay (Dawson) to the Secretary of State

MONTEVIDEO, February 1, 1944—noon.
[Received 1 : 33 p. m.]

135. Petroleum companies advise Embassy as follows concerning status of their negotiations with Ancap referred to in my despatch 3763, January 11. Ancap has offered 1, renewal of existing agreement without change for 2 years or, 2, renewal for 5 years with proviso that companies' participation in sales shall be limited to the volume of business done by them in 1941. The companies have rejected both alternatives. They seek 5-year renewal and claim that to deny them proportionate share in increase of business over 1941 level would be equivalent to partial expropriation without indemnification. However they have offered in return for 5-year renewal to surrender to Ancap first 5 percent of such increase. They believe attitude of Ancap directors dictated solely by domestic political considerations. They quote Ancap as stating that if neither of its offers is accepted matter must be left to three governments concerned and Uruguayan Government must assume responsibility for defending before Congress any concessions made.

British Minister [91] who has made no further representations since those reported in my despatch 3557 of November 23 [92] has cabled his Government for instructions. In his cable he expresses view in

[90] None printed.
[91] George Gordon M. Vereker.
[92] *Foreign Relations*, 1943, vol. VI, p. 771.

which I of course concur that negotiations should preferably continue on commercial basis between Ancap and companies rather than between governments.

DAWSON

833.6363/273 : Airgram

The Secretary of State to the Ambassador in Uruguay (Dawson)

WASHINGTON, February 4, 1944—6 p. m.

A–62. The Department believes the negotiations between the American and British petroleum companies on the one hand and the Ancap on the other should continue on a commercial basis. Reference in this connection is made to your despatch number 3763 of January 11 and telegram 135 of February 1, noon.

As you know, the Department regards as very important the smooth operation of the pool arrangements now in effect in Uruguay and all other Latin American countries dependent upon imported petroleum supplies. A necessarily basic principle in the pool operation is the maintenance of the *status quo* among the various commercial interests. You would therefore be justified in continuing to discourage any proposal of the Ancap which would disturb the present situation and consequently threaten the smooth operation of the pool, as long as the transportation and product shortage situation, which resulted in the creation of the pool, continues to exist. However, any negotiations contemplated for the period extending beyond the probable duration of the critical transportation and product supplies condition relate almost exclusively to commercial considerations which should be handled by the interested parties.

HULL

833.6363/6–2944

The Ambassador in Uruguay (Dawson) to the Secretary of State

No. 4526 MONTEVIDEO, June 29, 1944.
[Received July 12.]

SIR: I have the honor to refer to the Embassy's despatch no. 4158 of April 3, 1944,[93] and previous correspondence concerning negotiations for the renewal of the marketing agreement between Ancap and the private petroleum companies and to report the following as the present status of these negotiations.

It will be recalled that Ing. Carlos Vegh Garzón, General Manager of Ancap, had informed the companies' representatives that their reply

[93] Not printed.

to Ancap's recent memorandum had make a favorable impression upon various members of the Board of Directors of Ancap. The Embassy also reported that negotiations had taken on a more favorable aspect and that the company representatives felt confident that a fairly satisfactory agreement would soon be arrived at.

The Embassy is now able to report that, at a meeting held on May 22, 1944, the proposal previously submitted by the oil companies, (referred to in Embassy's despatch no. 4158) was discussed between representatives of the companies and members of the Ancap Board. As a result of this meeting, Ing. Vegh Garzón, General Manager of Ancap, addressed a communication under date of June 9, 1944 to the companies, setting forth in detail the terms on which Ancap would be willing to enter into a five-year agreement which, in general, were agreeable to the companies and embodied no appreciable differences to the viewpoints which had been agreed upon at the meeting.

The representatives of the oil companies have informed the Embassy that they are now awaiting the drawing up of the contract but that the Directors of Ancap wish to submit it for the approval of the Executive Power in order to avoid responsibility and possible political repercussions. The companies feel that this is not essential as the Directors of Ancap are empowered to sign but they are unable to avoid insistence on this step which may cause some further delay.

No opposition on the part of the Executive Power is anticipated and it is likely that the agreement may be signed shortly, at which time a copy thereof will be furnished the Department.

Respectfully yours, For the Ambassador:
DUDLEY G. DWYRE
Counselor of Embassy

833.6363/12–2044 : Telegram

The Ambassador in Uruguay (Dawson) to the Secretary of State

MONTEVIDEO, December 20, 1944—9 a. m.
[Received 10:15 a. m.]

1192. Reference my telegram No. 1048 November 8, 5 p. m.[94] Ancap and petroleum companies yesterday signed marketing agreement approved by executive power running for 5 years from October 1, 1944, with optional termination after 3 years with 90 days' notice.

Text by air mail.

DAWSON

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[94] Not printed.

EFFORTS TO SECURE THE COOPERATION OF THE URUGUAYAN GOVERNMENT IN THE CONTROL OF FINANCIAL TRANSACTIONS INVOLVING THE AXIS [95]

710 Consultation 3A/668

The Ambassador in Uruguay (Dawson) to the Secretary of State

No. 4006 MONTEVIDEO, March 2, 1944.
[Received March 14.]

SIR: I have the honor to refer to my despatch no. 3931 of February 18, 1944,[96] in which I advised the Department of my intention shortly to present to the Uruguayan Minister of Foreign Affairs [97] a memorandum concerning measures deemed desirable on the part of Uruguay with a view to implementing the Rio de Janeiro [98] and Washington resolutions [99] and the recommendations of the Committee for Political Defense.[1]

The memorandum in question was presented to the Minister of Foreign Affairs on March 1. The English text (a copy of which is enclosed for the Department's files) was accompanied by a Spanish translation which had been carefully prepared by the Embassy.

In delivering the memorandum, I stated verbally to the Minister that it had been prepared following a study made by the Embassy of the economic, financial, administrative and political measures taken by the Uruguayan Government to combat the subversive activities of the Axis; that the Embassy's study had revealed that there remained a good deal to be done in order to implement certain resolutions approved by the Uruguayan representatives at the Rio de Janeiro and Washington Conferences; that for this reason the Embassy ventured to indicate certain measures which it would be advisable to take and which had already been taken by many American republics; that I hoped that he would study the memorandum and that we could discuss it somewhat later; that I expected to discuss it also with the President; [2] that I hoped that he would understand that in presenting

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[95] Continued from *Foreign Relations*, 1943, vol. VI, pp. 774–782.

[96] Not printed.

[97] José Serrato.

[98] Third Meeting of the Foreign Ministers of the American Republics, January 15–28, 1942; for correspondence, see *Foreign Relations*, 1942, vol. V, pp. 6 ff.; for texts of resolutions, see Department of State *Bulletin*, February 7, 1942, pp. 117–141.

[99] The Inter-American Conference on Systems of Economic and Financial Control, June 30–July 10, 1942; for correspondence, see *Foreign Relations*, 1942, vol. V, pp. 58 ff.; for texts of 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, 1942).

[1] For correspondence on The Emergency Advisory Committee for Political Defense, meeting at Montevideo, Uruguay, see pp. 1 ff.; for texts of the recommendations, see Emergency Advisory Committee for Political Defense, *Annual Reports*, April 15, 1942–July 15, 1943, and July 15, 1943–October 15, 1944 (Montevideo, 1943, 1944).

[2] Juan José Amezaga.

the memorandum my only desire was to be as helpful as possible, being convinced that the Uruguayan Government desired to do everything in its power to contribute to Hemisphere defense; and that I was convinced also that the Government realized that the danger had not ceased but that on the contrary it was necessary to strengthen defense measures against the Axis and its sympathizers.

Sr. Serrato said that he would proceed at once to study the memorandum. He asked me if it could be true that any other South American countries had taken more effective measures against the Axis than Uruguay, saying that this would surprise him. I told him that, while Uruguay had taken a courageous and leading stand politically, nevertheless it had not gone as far as certain other countries in putting into effect economic and financial controls and in some other respects. He remarked that it was his impression that Axis firms were practically out of business, to which I replied that they still contrived to continue their activities.

In the course of our brief conversation, he said that it should be borne in mind, in comparing Uruguay's position with that of certain other countries, that Uruguay has not declared war and that it is not a dictatorship but a democracy in which Congress must be consulted and constitutional processes observed.

I shall seek an early opportunity of discussing the matter with the President to whom I shall also deliver a copy of the memorandum.

Respectfully yours, WILLIAM DAWSON

[Enclosure]

The American Embassy in Uruguay to the Uruguayan Ministry for Foreign Affairs

AIDE-MÉMOIRE

During the last two months, the American Republics have been furnished with dramatic evidence of the continuing serious danger of subversive activities by Axis agents and sympathizers. The government of Bolivia was overthrown by a revolutionary movement[3] in which there participated individuals who had long maintained close working relations with the Nazi organization both on this continent and in Europe. After full consultation nineteen of the republics freely and individually determined not to recognize the new regime.

The action with relation to Bolivia had scarcely been taken when the government of Argentina discovered a large network of Axis spies which jeopardized the sovereignty of the nation and the security of the continent. This discovery led to the rupture of diplomatic relations

[3] For correspondence on the policy of the United States toward the new Bolivian Government, see pp. 427 ff.

between Argentina and the governments of Germany, Japan and their satellites.

During recent weeks there have been important disclosures of subversive activities in Chile, Paraguay and Peru.

These events demonstrate conclusively that although much has been done by the American republics to defend themselves against Axis political aggression, much remains to be done to cope with the continuing danger. The same events demonstrate that a desperate enemy, suffering serious military defeats in Europe and Asia, may be expected to resort to extreme measures in this hemisphere.

The Embassy appreciates that the Government of Uruguay is not only alive to the danger but desires to take all measures necessary to protect the nation and the continent against attack by Axis political agents. It is for this reason and in the hope of rendering assistance that it is submitting the present memorandum which has been prepared after a careful review of the political and economic defense measures taken thus far. In this connection, the Embassy may be permitted to state that this review has revealed certain weaknesses in the defense structure of the country to which the Government will, it is believed, desire to give its urgent attention.

This memorandum deals with four specific problems with respect to each of which either the Foreign Ministers or representative inter-American defense bodies have made detailed recommendations which have induced vigorous and effective action by most of the American republics.

It will be observed that the measures discussed are responsive to the need for more adequate prevention of subversive activities. This objective of prevention has characterized most of the defense resolutions adopted by the Third Meeting of Ministers of Foreign Affairs at Rio de Janeiro, by the Inter-American Conference on Systems of Economic and Financial Control, and by the Emergency Advisory Committee for Political Defense. The American republics have learned by bitter experience that laws for the prosecution of treason or espionage are not adequate to deter the commission of subversive acts. Such laws come into operation only after the damage has been done. In order to maintain the security of the state and avoid the loss of American lives, ships and property, thoroughgoing preventive measures must be adopted which will deny the enemy all opportunity to initiate subversive action. This principle is fundamental to the measures discussed below for (1) controlling the funds and economic enterprises of pro-Axis firms and individuals, (2) detaining and otherwise exercising effective control over dangerous individuals, (3) controlling travel to and from the country, and (4) preventing transmission through the mails or by telecommunications of information which may be of assistance to the enemy.

[Here follow detailed suggestions for action on each of the four subjects mentioned above.]

[MONTEVIDEO, March 1, 1944.]

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710 Consultation(3)A/9–1944

The Secretary of State to the Ambassador in Uruguay (Dawson)

No. 2179 WASHINGTON, September 19, 1944.

The Secretary of State refers to the Embassy's despatch no. 4188 of April 10, 1944,[4] and to previous correspondence relating to Uruguayan financial and economic controls.

The apparent approach of the end of hostilities in Europe has emphasized the necessity for prompt action with regard to the program for the expropriation, forced sale, or liquidation of the spearheads of Axis penetration in the other American Republics. The nationalization of these spearheads continues to be regarded as an important long-range objective of our economic warfare program in this hemisphere.

AXIS SPEARHEAD FIRMS

The term "spearhead" is in general understood to include (*a*) those firms which are owned and controlled from Germany and Japan and (*b*) a few other firms of foreign and local nationality, whose past activities have demonstrated that they are part and parcel of the Axis military machine. While no hard and fast definition can be set, the following comments may be helpful to the Embassy in selecting the firms in Uruguay which should be regarded as spearhead in character.

An effort should be made to keep the list as small as possible consistent with the over-all objective referred to.

There have been some discussions with regard to the use of Italian overseas assets for co-belligerent purposes. It would appear desirable to obviate as far as possible the provision by Allied Governments of dollars or sterling to finance co-belligerent activities which might be financed by Italian-owned assets abroad. Because of these and related questions it has been decided that the missions should not (for the time being, at least) continue to urge the expropriation, forced sale, or liquidation of those firms which are owned from Italy; and that, on the other hand, neither should the missions discourage such action in those cases where the local Governments desire to nationalize Italian branches. Although not entirely owned from Italy, the same decision has been reached with respect to the Banco Frances y Italiano.

[4] Not printed.

Subject to the above comments, it would seem that the list of names presented to Señor Serrato on March 1, 1944 (Embassy's despatch no. 4006 of March 2, 1944) is an excellent selection.

Non-Spearhead Firms

The great majority of Proclaimed List nationals are not spearhead in character. It is clear that it is neither necessary nor desirable to attempt the permanent elimination of the influence and activities of this group of Proclaimed List nationals except in so far as this may result normally from Proclaimed List sanctions.

The Over-All Plan

Consistent with the different long-range objectives with respect to the spearhead and non-spearhead Proclaimed List nationals, the Interdepartmental Committee on the Proclaimed List devised what is commonly referred to as the "over-all" plan. In substance this plan is that the Committee is prepared to delete a substantial number of names from the list in any American Republic in exchange for the expropriation, forced sale, or liquidation of Axis spearheads. This plan, which is now a policy, has several advantages. In the first place, it provides a workable basis for the reduction (and eventual withdrawal) of the Proclaimed List as soon as the principal objective is accomplished and the need for a complete "wartime" list no longer exists. Secondly, the plan is equitable for it gives recognition to those countries which have cooperated most in eliminating Axis influence within their own borders. In this connection, it may be observed that the policy is justified on the ground that the over-all danger in a particular country is reduced to the extent to which spearheads are eliminated, thus making possible the deletion of a large number of cases which, under other circumstances, would have to be retained on the list. Thirdly, it provides a uniform and nondiscriminatory basis for reduction of the list. Lastly, it offers an opportunity to encourage the other American Republics to proceed with their nationalization programs by offering a *quid pro quo*.

It has recently been determined that the continuation of the Proclaimed List will be necessary in the period following the cessation of organized resistance in Europe; and, as an appendage to that decision, it has also been decided to continue the "over-all" plan for the reduction and withdrawal of the list in the post-surrender period. It has not been decided for what length of time it will be necessary to postpone the complete withdrawal of the list from all countries in this hemisphere. A circular telegram [5] explaining these decisions and containing the text of a proposed public statement to be issued simultaneously by the United States and British Governments will

[5] Dated September 20, p. 530

shortly be forwarded to Uruguay and to other American Republics. This circular telegram should be read with, and as a part of, this instruction. The proposed public statement will contain a paragraph substantially as follows:

"While the list will be maintained during the transitional period from war to peace time conditions wherever the remnants of Axis activity require, it is contemplated that the complete or virtual withdrawal of the list will be possible at an early date with respect to those countries where adequate controls have been established and Axis spearhead firms have been eliminated."

It should particularly be noted that the inevitable result of the public statement (the "over-all" plan) will be the continuation, in the post-hostilities period, of the Proclaimed List in more or less its present form in certain American Republics which have not carried out an effective nationalization program; on the other hand, the list will be virtually or completely withdrawn from other American Republics which have carried out such a program. The extent to which the carrying out of this policy will affect Uruguay can best be determined by a brief summary of the progress which has already been made by the other American Republics in eliminating Axis spearheads. Such a summary is also pertinent to the doubts expressed by Señor Serrato (Embassy's despatch no. 4006 of March 2, 1944) concerning the controls of other American Republics.

Progress in the Other American Republics

With the exception of Cuba and the Dominican Republic all of the other American Republics which are at war with the Axis (Bolivia, Brazil, Costa Rica, El Salvador, Guatemala, Haiti, Honduras, Mexico, Nicaragua and Panama) have laws providing for the expropriation, forced sale, or liquidation of spearhead firms. Cuba is in the peculiar position of having no firms which are spearhead in character so that a control through its Alien Property Custodian is most satisfactory; the Dominican Republic has laws providing for the liquidation of inimical firms. The programs for the elimination of spearheads in all these countries are in various stages of development but it may be said that progress has been made in all of them and that the program has been virtually completed in several countries.

It has been suggested that Uruguay is not at war and that its problems are more analogous to those American Republics which are similarly situated. Into this category fall Argentina, Chile, Colombia (which has declared a state of belligerency with the Axis), Ecuador, Paraguay, Peru, and Venezuela. Of these only in Argentina and Paraguay has there been a failure to adopt laws providing for the expropriation, forced sale, or liquidation of Axis spearheads. While the nationalization laws in some of these countries are numerous,

copies of the principal laws of each of these countries are enclosed. A review of them may be of help to the Embassy in any discussions with the Uruguayans on the status of the Uruguayan controls.

As may be expected, the extent to which these laws have been applied to concrete cases varies from country to country.

Ecuador is an excellent example of what has already been accomplished under the "over-all" plan. The Proclaimed List for that Republic recently had a total of 422 names. The elimination of Axis spearheads has progressed to the point where it has already been possible to delete 84 names. It is anticipated that an additional 180 names can soon be deleted on the basis of progress already made, making a total of 264. Thus it is probable that the List in Ecuador will soon contain only 158 names; and it is anticipated that still further progress will be made in the not distant future toward reducing this number.

In Peru a large number of firms have been subjected to expropriation, forced sale, or liquidation proceedings including such important firms as:

Banco Alemán Transatlántico
Ostern y Cía.
Ferrostaal A.G.
Cía. General de Anilinas S.A.

A list of spearhead firms in Peru was recently delivered to the appropriate authorities and there is good reason to believe additional progress will be made soon. The initiation of group deletions on the basis of progress already made is currently under consideration in the Department.

Chile severed its diplomatic relations with the Axis and initiated its programs at a relatively recent date. Its progress toward the replacement of Axis firms has, however, been gratifying. The following firms are some of those which have been subjected to expropriation, forced sale, or liquidation laws:

Cía. de Seguros La Mannheimer
Cía. de Seguros Aachen y Munich
Albingia Versicherungs A.G.
Nord-Deutsche Versicherungs Gesellschaft
Allianz & Stuttgarten Verein V.A.G.
Banco Alemán Transatlántico
Banco Germánico de la América del Sud
Dauelsberg y Cía.
Greiner y Cía., Ltda.
Sindicato Condor Ltda.
Deutsche Lufthansa A.G.
Nord Deutscher Lloyd
Mitsubishi S.K.
Sociedad Anónima Comercial Mitsubishi

Mitsui & Company
Nippon Trade Agency
Nippon Yusen Kaisha "NYK line"
Comercial Chilena—Oriental Ltda. Soc.
Casa Itoh Ltda.
Transportes Maritimas S.A.
"Italmar" S.A. de Empresas Maritimas
Agencia Marítima Kosmos
Compañía Comercial Taibo, S.A.

In addition, various other firms have been subjected to intervention, including Staudt y Cía., with the question of ultimate disposition to be made of the intervened companies reserved for some time in the near future. On the basis of this progress, in the last supplement to the Proclaimed List for Chile no new additions were made (except two token additions already included in the list for Peru) and 76 names were deleted. It is anticipated that in the forthcoming supplement approximately 75 additional names will be deleted, and that it will be possible to continue to make group deletions with each new supplement.

Venezuela has expropriated only one spearhead firm, namely Gran Ferrocarril de Venezuela, which has an appraised value of 7,500,000 bolivares. Despatch no. 6393 of August 22, 1944 from the Embassy at Caracas,[6] which encloses a copy of a memorandum presented to the Minister of Finance, summarizes the present prospect for early progress in the replacement program there. A copy of this despatch and memorandum are enclosed herewith. This memorandum is, in general, in the same form as memoranda presented to the appropriate officials of other American Republics recently and may be of some help to the Embassy in formulating a method of approach to the Uruguayans.

Colombia has only recently passed its expropriation law and it is still too soon to estimate what progress will be made under it. The law is, however, unique in that it fixes a time table for completion of each of the steps required to complete the proceedings after the specification by the Attorney General of the firms to be affected. The appropriate Colombian authorities have indicated that they are now in a position to proceed swiftly with a comprehensive program.

Uruguayan Expropriation Laws

It will be seen from the foregoing that with the sole exceptions of Argentina and Paraguay, Uruguay is the only American Republic which has not formulated concrete plans for the expropriation, forced sale, or liquidation of Axis spearheads; and that the great majority of the other Republics have already made substantial progress in the program. As a result, it seems probable that, unless the necessary

[6] Not printed.

steps are taken soon, Uruguay will be one of the few countries in the hemisphere where a substantial reduction or withdrawal of the Proclaimed List will not be possible following the cessation of organized resistance in Europe. In view of Uruguay's known democratic traditions and her leadership in many phases of the current political and economic warfare programs, it would seem desirable to prevent this anomaly if it is possible to do so. In any event it seems desirable to inform the Uruguayans in the premises so as to avoid possible future misunderstandings.

The Officer in Charge is accordingly authorized, in his discretion, to inform the appropriate officials of Uruguay's comparative failure to adopt effective measures to eliminate the influence of Axis spearhead firms; and to suggest that such failure, if continued, will, in accordance with the public statement referred to above, necessarily postpone the time when it will be possible to withdraw the Proclaimed List for Uruguay. It may also be pointed out that the systematic reduction of the List is already under way in some of the Republics; and that prompt action on Uruguay's part is necessary if similar reductions are to be made in the List for Uruguay. The systematic reduction of the List is, of course, regarded as the first step toward virtual or complete withdrawal of the List.

The Officer in Charge is requested to forward his appraisal of current political factors which bear on the possibility of Uruguay taking the desired action, together with a report of the result of his discussions with the appropriate authorities.[7]

[7] Reports requested not found in Department files.

VENEZUELA

THE LEND-LEASE ACCOUNT BETWEEN THE UNITED STATES AND VENEZUELA

831.24/12–3043

Memorandum by the Liaison Officer (Wilson) to Mr. Bainbridge C. Davis, Division of North and West Coast Affairs

[WASHINGTON,] December 30, 1943.

MR. DAVIS: Referring to your memorandum of December 29, 1943 [1] and your request for additional information concerning Lend-Lease [2] and other military assistance extended to Venezuela, there is set forth hereafter the latest available information on this subject supplementary to the detailed data furnished you a few weeks ago:

AIR AND GROUND MATERIAL

Dollar Value of Lend-Lease Equipment furnished Venezuela (As of September 30, 1943)

Original Lend-Lease allotment (Agreement between Dept. of State and LA [3] Representative)	*Dollar value of "Floated" material* (Shipping Ticket) as of 30 Sept. 1943 (Air and Ground)*	*Percent of total received*	*Amount yet to be allotted Amount*	*Percent*
$15,000,000	$1,441,822†	10%	$13,558,178	90%

NAVAL MATERIAL

Lend-Lease Credit

Estimated Value on Completion (As of November 22, 1943)	*Value of Deliveries to August 31, 1943*
$1,061,787	$334,934†

In addition to the foregoing, the Navy Department has under consideration the possibility of leasing six 83 foot vessels to Venezuela the value of which totals $660,000.

[1] Not printed.

[2] For text of the Lend-Lease Agreement between the United States and Venezuela, signed March 18, 1942, see *Foreign Relations*, 1942, vol. VI, p. 739.

[3] Presumably Lend-Lease.

*"Floated" material signifies equipment which has been shipped out of the U. S. A. [Footnote in the original.]

†Note: On 1/14/43, Mr. Kempter of FEA (Lend Lease) stated that cumulative $ value of Ld. Lease exports through 8 Spt. 1943 was $1,465,000 (= air, ground, naval, & Treasury Procurement items) according to his "official" Ld. Lease figures. RA/B. C. Davis. [Footnote in the original.]

The Navy Department may desire to lease only three of these vessels in which case their value would amount to $330,000.

UNITED STATES MILITARY AND NAVAL MISSIONS TO VENEZUELA

On March 24, 1941 an Agreement was signed between the Governments of Venezuela and the United States,[4] which provides for a United States Naval Mission. So far as we know this mission (composed of 5 officers and several enlisted men) is performing very satisfactorily.

Negotiations are about to be concluded for the signing of an Agreement for a United States Military Aviation Mission to Venezuela.

One Venezuelan National is now attending the United States Naval Academy (entered in 1943).

ORME WILSON

831.24/7–1544

The Secretary of State to the Venezuelan Ambassador (Escalante)

WASHINGTON, July 15, 1944.

EXCELLENCY: I have the honor to refer to the Department's note of December 16, 1942[5] concerning the presentation of schedules and accounts of deliveries of, and payment for, defense articles made available to the Venezuelan Government under the terms of the Lend Lease Agreement signed on March 18, 1942 by representatives of the United States of America and of the United States of Venezuela.

In this connection there are enclosed two copies of a statement prepared by the Foreign Economic Administration[5] listing the materials and equipment transferred to the Government of Venezuela up to the date of April 30, 1944. It is noted that the total amount of the items listed is $2,101,802.33. In addition to the copies of the statement mentioned, there are enclosed three copies of detailed schedules and lists of supplies and equipment[5] arranged under the headings of the respective divisions of the agencies through which the materials were obtained.

The Department will submit at a later date a supplementary statement which will include such additional items as may be delivered to the Government of Venezuela subsequent to April 30, 1944 and which do not appear in the enclosed statement.

I should be pleased if Your Excellency would be so kind as to transmit copies of the enclosed statement, schedules and accounts to the appropriate officials of the Venezuelan Government to the end that

[4] Department of State Executive Agreement Series No. 203; 55 Stat. (pt. 2) 1235.

[5] Not printed.

steps could be taken to effect the payments to this Government in the manner prescribed in Article IV of the March 18, 1942 Agreement.

It would be appreciated if payment could now be made in the amount of $945,000 which represents the appropriate percentage of the scheduled cost of the materials which were delivered by April 30, 1944. Payment should be in the form of a check drawn to the order of the Treasurer of the United States of America which could be sent to this Department for appropriate disposition.

For reasons of military security, I trust that the schedules and accounts which are enclosed herewith will be treated by Your Excellency's Government on a most confidential basis.

Accept [etc.] For the Secretary of State:
EDWARD R. STETTINIUS, JR.

831.24/10–2744

The Secretary of State to the Ambassador in Venezuela (Corrigan)

No. 2838 WASHINGTON, December 1, 1944.

SIR: I transmit for your confidential information a copy of the Department's note of even date to the Venezuelan Embassy in Washington and a copy of Statement LL–2, prepared by the Foreign Economic Administration [6] showing charges made during the period from May 1 through August 31, 1944 against the Government of Venezuela covering material transferred under the Lend-Lease Agreement.

It will be noted that the total charges made through August 31, 1944 for all lend-lease material transferred to Venezuela aggregate a grand total of $2,338,960.97. Of this grand total the sum of $1,052,000 represents the approximate appropriate percentage of payment now due on account from the Government of Venezuela. Included in this amount is the sum of $945,000 the payment of which was requested in the Department's note to the Venezuelan Embassy dated July 15, 1944 (Department's confidential instruction no. 2650 [7]). To date no payment has been received from Venezuela, nor has the Department received any information as to when a payment on account may be expected. However, in its note no. 2374 dated July 25, 1944,[7] the Venezuelan Embassy informed the Department that a copy of the Statement and schedules transmitted in the Department's note of July 15, 1944, would not be sent to its Government until Colonel Jones-Parra, Military Attaché, completes a study and an examination of such schedules with the cooperation of officials of the War Department, because of discrepancies between the schedules and the material actu-

[6] Neither printed.
[7] Not printed.

ally delivered. No information on the progress of such examination has been received by the Department.

You are requested to approach discreetly the appropriate Venezuelan officials concerning the payment due on account. Such officials should be informed that in the interim and without prejudice to the position of the Government of Venezuela with respect to any adjustments in the above-mentioned schedules which may be found necessary, this Government would appreciate it if a payment on account in the amount of $1,052,000 could now be made in the form of a check payable to the order of the "Treasurer of the United States, For the Account of the Foreign Economic Administration".

Very truly yours, For the Secretary of State:
DEAN ACHESON

VENEZUELAN ECONOMIC DEVELOPMENT PLANS AND TRADE CONTROLS

631.116/65 : Telegram

The Secretary of State to the Ambassador in Venezuela (Corrigan)

WASHINGTON, January 5, 1944—2 p. m.

14. With reference to Department's circular instruction of October 5, 1943 [10] and the Embassy's Despatch No. 5157 of November 30, 1943,[11] please report fully by airgram any other instances [12] indicating that import control officials are invoking decentralization as means for the imposition of trade restrictions which are not in fact warranted by war conditions of shipping or supply, particularly with a view to protecting the local manufacture of products competing with proposed imports and possibly in contravention of the trade agreement.

In as much as the information in question will be required in connection with any discussions with General Medina [13] and his aides dealing with outstanding problems between the two countries, it is desired that the reply to this instruction reach the Department before the Venezuelans' arrival in Washington.

HULL

[10] Not printed; in it the Department cautioned its missions in the American Republics to be alert to the use of the decentralized system of export controls for imposing unwarranted restrictions on trade (610.1131/522a).

[11] Not printed; it reported the experience of a pharmaceutical firm in having the issuance of an import recommendation by the Venezuelan Government conditioned upon an agreement by the company to install equipment and manufacture the product in Venezuela (631.116/65).

[12] Further instances were detailed by the Counselor for Economic Affairs, H. Lawrence Groves, to the Ambassador in a report of January 10, 1944, transmitted to the Department in despatch 5620, March 16, 1944, not printed (631.116/75).

[13] Gen. Isaias Medina Angarita, President of Venezuela. In January 1944 he came to Washington with his aides to discuss Venezuela's economic problems with Department of State officials.

631.116/69 : Airgram

The Acting Secretary of State to the Chargé in Venezuela (Flack)

WASHINGTON, February 19, 1944—5 p. m.

A–107. The Department refers to instruction no. 2394 of February 14, 1944,[14] transmitting a memorandum of conversation with Minister of Finance Rodolfo Rojas and Señor Perez Guerrero [15] regarding among other things the alleged practice of limiting or prohibiting certain imports through the denial of Import Permits and Import Recommendations, and a letter in this regard from the Bureau of Foreign and Domestic Commerce.

The Department, as well as other agencies of the Government, have now received a letter from the Foreign Credit Interchange Bureau of New York [16] transmitting a resolution adopted by the Bureau's Drug and Chemical Export Club protesting vigorously the actions of the Venezuelan Commission which adversely affect United States export trade with Venezuela; copy of this resolution is being sent to Embassy via air mail pouch.[17]

Reference is also made to the Department's circular telegram of February 12, 3 p. m.[18] concerning the matter of roll-backs in the Decentralization Plan.

The attitude of the Venezuelan Import Control Commission, as reported in the Embassy's Despatch No. 5157 of November 30, 1943 and Airgram No. A–21 of January 10, 1944 [19] in utilizing its authority for purposes alien to those of the Decentralization Program is a source of serious concern to the Department, as well as to members of the export trade.

In this connection it will be recalled that, since the outbreak of the war, this Government has exerted constant effort to assure that the other American republics, including Venezuela, would receive a fair share of goods in short supply in the United States. The system of decentralized export control was developed in the same spirit of equity, after a period of experiment with other methods, in order to give the other governments more direct participation in determining the types of goods for which the limited shipping space available might be utilized.

In view of the considerations which led to the establishment of

[14] Not printed.
[15] President Medina's secretary on his trip to the United States.
[16] National Association of Credit Men.
[17] Copy of letter, dated February 7, 1944, and resolution transmitted to Caracas in instruction 2410, February 24, not printed.
[18] *Ante*, p. 738.
[19] Neither printed.

decentralized export control, it would be most unfortunate if this procedure were now to be converted into a means of controlling trade to an extent not warranted by either shipping conditions or the supply situation in this country.

In addition to the foregoing considerations, the general provisions of the reciprocal trade agreement with Venezuela [20] provide generally that no quantitative restrictions shall be imposed on the importation from the United States of products included in Schedule I. It is recognized, of course, that wartime exigencies must prevail over commitments in the trade agreement between the United States and Venezuela even though this is not specifically provided for in the agreement. It is the opinion of the Government of the United States, however, that war conditions of shipping or supply should not be used as a reason for the imposition of trade restrictions which are not in fact warranted by such conditions. With regard to products imported into this country from the other American republics during the war period, it may be noted that the Government of the United States has acted in accordance with the belief that emergency powers should not, in the absence of considerations such as shipping or supply, growing directly out of war conditions, be used as a means of restricting imports for protective or other purposes. Likewise, such restrictions on imports would clearly be inconsistent with the spirit if not the letter of trade agreement provisions.

It is anticipated that as an easing of war exigencies may permit the production of larger supplies of civilian goods and more shipping space will be available for normal inter-American trade, it may be possible to relax various wartime restrictions on such trade. It is hoped that the Government of Venezuela shares the view of the Government of the United States as to the desirability of relaxing such restrictions at the earliest possible date.

It is requested that the Embassy bring the foregoing views to the attention of the appropriate Venezuelan authorities informally during its discussion of roll-backs in the Decentralization Plan, making reference to the conversations with Rojas and Guerrero held in Washington.

The Embassy is requested to keep the Department fully and promptly informed as to the progress of these conversations.

STETTINIUS

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[20] Signed at Caracas November 6, 1939, Department of State Executive Agreement Series No. 180; 54 Stat. (pt. 2) 2375.

631.116/76

Memorandum of Conversation, by Mr. Erwin P. Keeler, Division of Commercial Policy

[WASHINGTON,] February 23, 1944.

Participants: Dr. M. A. Falcón-Briceño, Commercial Counselor, Venezuelan Embassy
Mr. Knox, RAR [21]
Mr. Keeler, TA

Dr. Falcón-Briceño called by appointment to make inquiry regarding complaints which had arisen from American exporters with respect to measures of the Venezuelan Import Control Commission affecting exports of drugs to Venezuela. He indicated that his Ambassador [22] had heard of these complaints and had instructed him to look into the matter.

Dr. Falcón-Briceño was shown the resolution of January 20, 1944 of the Drug and Chemical Export Club of the Foreign Credit Interchange Bureau, and given a copy of the resolution for further study. He was informed that reports which had come to the Department from various sources indicated that in some cases the Import Control Commission was using its powers for purposes alien to those of the decentralization plan, particularly in connection with the importation of pharmaceutical products and proprietary medicines. It appeared that cases had arisen in which (1) import recommendations for certain drug items and other products (for example, cotton waste and mirror plates) had been denied or reduced on the ground that they were not essential or that similar products were manufactured locally, (2) that in some cases, concerning medicinals and pharmaceuticals, import recommendations had been denied by the Commission on the ground that the products were lacking in therapeutic value, although the products had been found acceptable and registered by the Ministry of Health, and (3) that in other instances, it was understood that importers had been informed that import applications would be approved if the importers would agree to install machinery and manufacture the finished product in Venezuela.

It was explained to Dr. Falcón-Briceño that we felt most strongly that procedures established in connection with the decentralization plan should not be transformed into means of controlling trade, where such control is not now warranted by shipping conditions or the supply situation—that, with respect to our import trade, we have consistently followed the line that wartime emergency powers, in the absence of wartime factors such as shortage of shipping, should not be used as

[21] Charles Frederick Knox, Chief, American Republics Requirements Division.
[22] Diógenes Escalante.

a means of restricting imports for protective or other purposes not directly connected with the war emergency.

Dr. Falcón-Briceño was informed that we hoped that an easing of wartime demands would make possible the production of civilian goods in greater quantities, and that with more shipping space we would be able to relax progressively wartime restrictions on trade—that we felt sure that Venezuela shared our views as to the desirability of relaxing such wartime restrictions at as early a date as practicable.

Dr. Falcón-Briceño indicated that he was not particularly familiar with the operations of the Import Control Commission but that he thought that some of the drug products involved were products the sale of which was not permitted in the United States under our food and drug legislation. In this connection, it was pointed out to Dr. Falcón-Briceño that the therapeutic value of the products had been involved in only one of the types of reported cases mentioned above, and that the products had apparently been satisfactory to the Ministry of Health. Dr. Falcón-Briceño said that he would report the substance of our conversation to his Government.

It was suggested to Dr. Falcón-Briceño that questions such as we had been considering tended inevitably to arise in connection with the operation of wartime emergency controls, perhaps through misunderstandings on the part of subordinate administrative officials concerning the background and purposes of the wartime controls. We expressed the belief that in view of Venezuela's fine collaboration in the furtherance of liberal trade policies, as evidenced by the Venezuelan-United States trade agreement, the problems which had been the subject of our conversation could be readily solved.

Dr. Falcón-Briceño mentioned at the close of the conversation that some difficulties were being encountered in bringing into the United States canned fish from Venezuela. He said that an American importing house was prepared to bring in 100 tons of canned fish per month, but that he (Dr. Falcón-Briceño) had been informed by authorities in the War Food Administration that it would be difficult to obtain oil from outside Venezuela for the packing of these products, and that he understood that the question of shipping space might also present a problem. He said that he would discuss the latter question at once with authorities in the War Shipping Administration. Dr. Falcón-Briceño was informed that we would be interested in hearing of developments with respect to trade in this new Venezuelan product, and would be glad to assist him in any appropriate manner in connection with any problems which might arise.

831.24/1201

The Chargé in Venezuela (Flack) to the Secretary of State

No. 5557 CARACAS, February 28, 1944.
[Received March 4.]

SIR: I have the honor to refer to the Department's circular airgram of February 15, 11: 40 a. m.[24] and the five subsidiary airgrams of February 15 [25] outlining a proposed "roll-back" in trade controls for adoption as of March 1, 1944, to confirm this Embassy's urgent telegram No. 197 of February 25 [26] reporting Venezuela's complete acceptance of the Washington proposal, and to add the following details in relation thereto:

The Resolution of the Minister of Hacienda implementing the "roll-back", as published in the Official Gazette No. 21,343 of February 26, 1944, a translation of which is attached,[26] makes the effective date March 1 rather than March 15 as stated in the above cited telegram, which was based on the verbal statement of the Minister; the advance of the effective date to March 1 was made in order more fully to comply with the Department's desires.

The proposal was presented to Sr. Rojas, Minister of Hacienda, by the Embassy's Economic Counselor [27] on February 24, when an informal memorandum of which a copy is enclosed,[26] was left with the Minister. Sr. Rojas immediately expressed the belief that his Government would accept *in toto* the proposed elimination of controls and promised to give the Embassy a definite answer the following day. Accordingly, Sr. Rojas telephoned the following morning to confirm the full acceptance of the proposed action, as reported in the Embassy's urgent telegram No. 197.

The action of the Venezuelan Government in this instance is particularly gratifying since it represents a significant reversal of its policy in maintaining control of imports through the "Licencia Previa", as established by Ministerial Resolution No. 8 of October 5, 1943 (see despatch No. 4934, October 6, 1943 [26]), despite the elimination of Import Recommendations. This apparent change in policy may be due at least in part to the recent trip to Washington of President Medina accompanied by Sr. Rojas and other high Venezuelan officials.

Respectfully yours, JOSEPH FLACK

[24] *Ante*, p. 653.
[25] None printed.
[26] Not printed.
[27] H. Lawrence Groves.

831.24/1200

The Secretary of State to the Chargé in Venezuela (Flack)

No. 2415 WASHINGTON, February 29, 1944.

The Secretary of State informs the Embassy that meetings were held between members of President Medina's party, among them Señor Rodolfo Rojas, Señor Manuel Silveira,[29] Señor Eugenio Mendoza [30] and Commander Antonio Picardi,[31] and representatives of the Department, the War Production Board and the Foreign Economic Administration on January 22, 1944, in reference to Venezuelan projects and general requirements.[32] At that time the representatives of the war agencies were unable to make any definite commitments as to the action which would be taken on the suggested projects but indicated their willingness to study the lists of materials furnished by the Venezuelan delegation in an attempt to determine the supply situation and thus the possibility of issuing export licenses and furnishing priority assistance when projects were formally submitted. It was hoped that some indication as to the possibilities of procurement of the listed items could be given prior to the departure of the delegation from the United States, but the task apparently could not be accomplished in such a short time. The delegation was informed verbally, however, that the La Guaira Port project would be approved and that certain materials for other projects could, in all probability, be furnished. However, there was insufficient time fully to examine the lists and to arrive at definitive conclusions.

In the intervening weeks, the lists furnished by the delegation have been carefully scrutinized and the reactions of the representatives of the war agencies may now be communicated to the Embassy. On certain items listed there is yet insufficient information available as to the nature of the items for the war agencies to determine whether procurement is now possible. Certain decisions must await the placement of formal applications accompanied by complete lists. However, it was considered that a review of the situation as it now apparently stands should be forwarded to the Embassy for informal discussion with Venezuelan officials. Certain of the specific requirements in each of the projects will be considered in turn:

Allocation of Hops

Señor Rojas presented a letter from Cervecería de Caracas which stated that the allocation of hops was insufficient to meet Venezuela's minimum needs. Since that time, through the efforts of the Foreign

[29] Minister of Public Works.
[30] Former Minister of National Development.
[31] Chief of the Naval Division of the Ministry of War and Navy.
[32] See also memorandum of a conversation between President Roosevelt and President Medina on January 19 regarding the establishment of an oil refinery in Venezuela, p. 1660.

Economic Administration and the Department, this allocation has been increased to 148,000 pounds which is approximately the amount which was indicated to be the minimum requirements of Venezuela.

Liquid Rubber Compound

Señor Rojas presented a letter from Cía. Anonima Industrial de Pesca which stated that certain orders for this product had been placed with Max Ams Machinery Company but that difficulty had been encountered in securing export licenses. Señor Rojas was informed by a letter prior to his departure that, according to information secured from the Max Ams Machinery Company, export licenses had been granted to cover all of the materials included in these orders and that two orders had already been shipped.

Hospital Civil de Valencia and Hospital Anti-tuberculosis "Venezuela"

It was stated by members of the Venezuelan delegation that the buildings for these two hospitals are entirely completed but that various items of equipment for water heating and distribution, laundries, intercommunications, air conditioning, et cetera with a value of $211,328 are urgently needed, for these hospitals cannot be used until at least some of this equipment is secured. While technical hospital equipment, in view of the war effort, would be most difficult to procure, it is contemplated that some of the building equipment items listed in the brochure of the Ministry of Public Works for these hospitals may be furnished in the reasonably near future. Therefore, it is suggested that applications in project form be placed with the Foreign Economic Administration covering the equipment needed for each of these hospitals. Two projects should be submitted, one for each hospital. It is likely that certain of the items listed cannot be furnished at the present time but others can be, and in any event, the projects will be considered with sympathetic interest by the Foreign Economic Administration.

Sewer and Aqueduct Projects for the Federal District

According to the brochure furnished by the Ministry of Public Works, this project will require a substantial quantity of iron and steel and, in addition, equipment valued at $740,300. Information has not been furnished as to the nature of the equipment needed for this project. The Venezuelan delegation stated that equipment lists would soon be furnished but these lists have not as yet been received. In the meantime, until precise information is made available, no conclusions can be reached as to the likelihood that export licenses will be granted.

In order to conserve time, it is suggested that this project be submitted to the Foreign Economic Administration and that both materials and equipment be covered in the application. It is particularly

important that an indication be given as to the time at which various quantities of materials or items of equipment will be needed in as much as the project will probably be under construction for two or three years. According to information now in the hands of the Department, it appears probable that the iron and steel will be needed at this time but that the equipment will not be needed until 1945 or 1946. In that event, the project may be started with reasonable assurance that efforts will be made to furnish materials as they are needed for construction purposes. No assurance can be given that the project will be approved in full by the war agencies but it should, nevertheless, be submitted and it will receive sympathetic consideration.

Sewer and Aqueduct Projects for La Guaira and Maiquetia, Valencia, Barcelona, Puerto La Cruz, and Guanta

These projects will require substantial quantities of steel, lead, copper and bronze, foundry iron, galvanized sheets and other materials. They will likewise require equipment with a value of $94,029, according to the lists furnished by the delegation. Each of these projects should be formally presented to the Foreign Economic Administration. It is not anticipated that difficulty will be encountered in obtaining the necessary materials other than the equipment. If new equipment is not available, perhaps used equipment may be substituted.

Guanta Cement Mill Project

This project which covers all equipment needed for a cement mill with a capacity of approximately 100,000 tons annually was the subject of a discussion at a meeting between Mr. Mendoza and representatives of the Department and the Foreign Economic Administration. Mr. Mendoza had with him all the documentation necessary to submit the project to the Foreign Economic Administration. After a thorough discussion of the project, it was stated to Mr. Mendoza that most of the equipment listed was in exceedingly short supply and only available for projects directly connected with the war effort. Mr. Mendoza was given no encouragement that the project could be immediately implemented through assistance in production scheduling and the issuance of export licenses. Nevertheless, the project has been formally submitted to the Foreign Economic Administration where it is now pending. It is highly probable that it will be rejected as have other such projects for other Latin American republics in the immediate past.

It was suggested to Mr. Mendoza that an attempt be made to find a suitable second-hand plant which could be moved to Venezuela. However, this presented difficulties as a plant designed for the wet-process was desired and few, if any, used wet-process plants, are available. Plants which use the dry-process are available, however, but

there may be some question as to whether the quality of the raw materials at Guanta is sufficiently high for production of cement by the dry-process. After the question of the quality of raw materials was discussed at some length, Mr. Mendoza indicated his willingness to make the results of tests of the limestone rock available to the Foreign Economic Administration. Through such tests, it was expected that a decision could be reached as to whether a used dry-process plant would be acceptable for this project. Subsequently, the decision was made by Mr. Mendoza and his associates to await the time at which a new wet-process plant could be secured for this project. However, efforts will undoubtedly be made to secure approval of the project and priority assistance in the near future.

Construction Equipment

The Ministry of Public Works presented a list of construction equipment with a value of $687,500 for consideration. The majority of the items contained in this list, notably D–8 and D–7 tracklaying tractors, are in exceedingly short supply and are not available other than for military use. However, to facilitate matters it was suggested by the Foreign Economic Administration that these requirements be broken down into the following categories:

Class I	*Class II*	*Class III*	*Class IV*	*Class V*
Types HD–14	Types D–7	Types HD–7	Types D–4	Types D–2
D–8	HD–10	D–6	TD–9	TD–6
F	TD–14	TD–14	B	H
		D		

Perhaps some of the items listed may be furnished but there is little hope that the heavy items can be secured at this time. While the Ministry of Public Works may wish to submit license applications for this equipment, it should be borne in mind that, according to a recent War Production Board order, practically all new construction machinery is now needed by the military services and civilian demand must be filled from idle used equipment. Even used equipment cannot be purchased unless a release is secured from the War Production Board. A copy of this recent order which was released on January 18, 1944 is attached hereto [33] for the information of the Embassy.

La Guaira Port Project

This project was approved on Saturday, January 22, 1944 and information in relation to this approval was communicated verbally to the Venezuelan delegation. In as much as this project was stated to be the most urgent of the group discussed between representatives of various governmental agencies in Washington and the delegation, its prompt approval was greatly appreciated.

[33] Not printed.

Agricultural Implements and Livestock

The Venezuelan delegation submitted an extensive list of requirements including heavy equipment, small tools, and livestock. Among the items listed were 84 tractors, including heavy tracklaying tractors which, as noted previously, are not procurable. A total of 46 wheel tractors of 20–30 HP were likewise included. It is possible that the wheel tractors may be obtained. At least the Foreign Economic Administration would entertain an application for these units.

According to the War Production Board, certain items included in the list lack clear definition and specifications and as a result it is impossible to give an opinion as to the supply difficulties which might be encountered. Among these items are the following: 1 complete stable, 2 pasteurizing and bottling installations, 4 silos, and 70 Australian tanks. If more complete information could be given on these items some indication might be forthcoming as to whether procurement would be possible at this time. The same difficulties apply to the 40 portable milk refrigeration plants. Without specific itemization of the desired equipment for these plants, the War Production Board was unable to indicate its attitude towards this request or the probable delivery date if orders were placed and applications were made for export licenses and priority assistance.

Certain of the items, for instance the cold storage plants and mechanical sheep shearing machines and hog markers, are not in particularly short supply and therefore could probably be furnished in a relatively short time. On the contrary, the three drilling outfits will probably present considerable difficulty. Their release is under the jurisdiction of the Petroleum Administrator for War and it is doubtful whether release would be granted at present. In reference to the trucks listed by the Ministry of Agriculture, it may be stated confidentially, for the information of the Embassy, that the Foreign Economic Administration will soon announce a limited allocation of trucks for 1944 to each of the other American republics. It is hoped that the requirements listed both by the Ministry of Public Works and the Ministry of Agriculture may be taken care of within this allocation as the numbers required are not great. Therefore, little difficulty should be experienced in securing the number desired, particularly of trucks of small sizes, if applications are submitted promptly. The jeeps requested cannot be furnished at this time. They are under the control of the War Department and an inquiry elicited the information that jeeps were not available for exportation for non-military purposes.

The livestock requirements should not constitute a particularly difficult problem. Horses, mules and goats are under general license to the other American republics, whereas cattle, hogs and sheep are subject to individual license. If this livestock can be purchased, the For-

eign Economic Administration will grant the necessary export licenses. Some difficulty may be experienced in securing the requisite shipping space.

In the list furnished by the Ministry of Agriculture were a substantial number of small tools. However, the individual requirements of each were not excessive. These requirements should not be difficult of procurement. If applications are made to the Foreign Economic Administration, either by the Ministry of Agriculture or by private concerns, and appropriate reference is made in each instance to the list furnished by the Venezuelan delegation, an attempt will be made to furnish the necessary export licenses promptly. The delegation wished to secure these items, among others, without charges to the general allocations. In the case of certain items, among them these small implements, quantities may be provided outside of the regular allocations as the War Production Board indicated to the Foreign Economic Administration that supply assistance would be given if the amounts available to meet these requests were insufficient.

Tire and Tube Requirements

Mr. Mendoza made a strong plea for an additional allocation of tires and tubes. After a considerable discussion of requirements data and of the production possibilities of the General Tire Company plant in Caracas and of retreading plants, it was stated by representatives of the Foreign Economic Administration that the whole matter would again be reviewed but that the supply situation was such that no assurances could be given of additional allocations. There have now been submitted to the Foreign Economic Administration two project applications covering production equipment for camelback. One of these applications likewise covers equipment needed for retreading of tires. While a favorable decision may be reached on one of these applications, it is improbable that both will be granted. The receipt of some additional equipment of this type should materially improve the tire situation in Venezuela.

The conclusion is merited, everything considered, that the Venezuelan delegation met with a sympathetic consideration of the projects and requirements presented on the part of the representatives of the United States Government agencies. Substantial progress was made in meeting the requests of the Venezuelan delegation through the approval of the La Guaira Port project. It is probable that the various sewer and aqueduct projects can at least be started in view of the fact that reinforcing steel and cement are in reasonably free supply and should not occasion great difficulty in procurement. Many of the items listed by the Ministry of Agriculture may likewise be made available and should be accorded export licenses when ap-

599-037—67——105

plications are made unless the supply situation changes in the meantime.

The greatest difficulty, from a procurement angle, is in reference to the heavy equipment needed by the Ministry of Public Works and like equipment by the Ministry of Agriculture. On these heavy items, notably tracklaying tractors, and the heavy equipment with which they are used, the supply situation is such that little hope can be given of immediate procurement other than for used equipment. As mentioned previously, even this requires release by the War Production Board.

In each instance when applications are filed with the Foreign Economic Administration either for projects or individual licenses, the fact that the materials and equipment covered were the subject of discussion between the Venezuelan delegation and representatives of various United States Government agencies should be noted. It should be observed, however, that no definite commitment has been made in regard to approval of these applications by the war agencies. Conditions of supply change quickly and in an unpredictable manner, therefore, final decisions must await the formal submittal of applications to the Foreign Economic Administration and, when necessary, to the War Production Board.

831.24/1224 : Airgram

The Ambassador in Venezuela (Corrigan) to the Secretary of State

CARACAS, April 5, 1944—5 : 30 p. m.
[Received April 10—3 p. m.]

A–303. Referring to Department's circular airgram, March 30, 7 : 30 p. m.[34] and last paragraph of circular airgram February 15, 11 : 40 a. m.[35] regarding further simplification of trade controls, this Embassy heartily in sympathy with any steps that may be taken, compatible with our war program, to eliminate existing trade controls and restore normal conditions as extensively and rapidly as possible. Except for the possibility that available shipping space may be reduced in next few months, the Embassy would favor positive steps toward further relaxation of controls prior to July 1. Sr. Rojas, Minister of Hacienda, this morning informed Mr. Groves that he favors removal of controls as rapidly and broadly as possible, but because he fears a possible reduction in available shipping space he feels it necessary to continue controls on certain products in order to assure shipment of essential merchandise.

[34] Not printed.
[35] *Ante*, p. 653.

In view of increasingly favorable attitude here among the highest Government officers, it is believed that a far-reaching removal or simplification of controls at the earliest feasible date, consistent with our war program and shipping situation, will have good chance of acceptance at this end.

CORRIGAN

631.116/79

The Ambassador in Venezuela (Corrigan) to the Secretary of State

No. 5704 CARACAS, April 6, 1944.
[Received April 11.]

Subject: Venezuelan Import Restriction of Pharmaceutical Products.

SIR: Referring to the Embassy's despatch No. 5620 of March 16 [36] and earlier communications on the above subject, I have the honor to submit the following additional information:

Mr. Groves called yesterday by appointment on Sr. Rojas, Minister of Finance, and among other subjects again discussed at some length the question of Venezuelan restriction of our trade in certain pharmaceutical products through arbitrary refusal of import permits (Licencia Previa) by the Import Control Commission. Sr. Rojas said that this question had been the subject of considerable discussion between himself, the Import Control Commission—a subsidiary of his Ministry—and the Ministry of Health. He stated that in these discussions he had insisted that the present arbitrary control situation must be changed, and that the Commission should grant the required import permit for all pharmaceutical products, the importation of which is not specifically prohibited by an officially published resolution of the competent authority—the Ministry of Health. Sr. Rojas did not state that this view had been accepted by his colleagues, but he implied that he expects to have his viewpoint adopted in the near future.

While I am somewhat less optimistic than Sr. Rojas regarding the possible adoption of his present solution of the pharmaceutical import difficulty, nevertheless, I am convinced that the attitude of the top Government officials, including President Medina as well as the Cabinet officers, is noticeably more favorable to the general modification of the existing import control restrictions, and I am accordingly quite hopeful that this will make itself evident in the case of pharmaceutical imports in the near future. Further developments will be reported as they occur.

Respectfully yours, FRANK P. CORRIGAN

[36] Not printed.

831.24/1243

The Ambassador in Venezuela (Corrigan) to the Secretary of State

No. 5756 CARACAS, April 25, 1944.
[Received May 1.]

SIR: Confirming the Embassy's telegram No. 442 of even date,[37] I have the honor to report that the Resolution of the Ministry of Finance removing the requirement of an import permit (*Licencia Previa*) for the importation of all automotive spare parts and accessories was finally published in the Venezuelan *Official Gazette* No. 21389 of April 24, 1944. Simultaneously, a Resolution of the competent authority was published establishing ceiling prices (presumably at wholesale, although not specified) on such automotive equipment, the maximum limit being the cost of the merchandise laid down in the importer's warehouse plus 40 percent. Copies of the two resolutions in translated form are attached hereto as enclosures 1 and 2 respectively.[38]

While the action of the Venezuelan Government in accepting the Embassy's proposal of some weeks ago is gratifying (see airgram No. 204, March 9, 4:05 p. m.[37]), it really has more significance than the mere removal of import restrictions on automotive spare parts. Consideration of this proposal by the Venezuelan authorities and the automotive importers developed into a somewhat significant test case between those elements favoring the maintenance of import controls and those opposed thereto. In this case, the Import Control Commission itself, supported by three or four of the leading automotive importers (who shared largely in the semi-monopolistic parts trade), constituted the opposition faction, while other elements of the trade, but more especially the Minister of Finance supported the Embassy proposal,—the latter with certain misgivings; it is believed that the final decision favoring freedom of trade was made by President Medina. In view of the various developments in this case, the hope is permissible that further proposals for removal of Venezuelan import restrictions may encounter a steadily diminishing resistance, particularly as the availability of ample shipping space becomes more certain.

Respectfully yours, FRANK P. CORRIGAN

[37] Not printed.
[38] Neither printed.

831.24/6–2644

The Ambassador in Venezuela (Corrigan) to the Secretary of State

No. 6082 CARACAS, June 26, 1944.
[Received June 29.]

SIR: I have the honor to transmit herewith as enclosure No. 1 a list of products [39] which the Venezuelan Government, by appropriate Resolution of the Ministry of Finance published in the *Official Gazette* No. 21,441 of June 23, 1944, has exempted from the requirement of a "previous permit" (*Licencia Previa*) on importation into Venezuela; the list became effective on publication. It is comprehensive in character, thus including all products hitherto exempt from the import permit requirement and which are to be continued on the so-called "free list".

The extension of the Venezuelan "free list" to include a considerable number of articles hitherto subject to import permit was incidental to the Venezuelan acceptance of our proposal (see Embassy's telegram No. 627, June 16 [39]) to eliminate the "Import Recommendation" for all imports from the United States except the "positive list" of products still in short supply, as enumerated in the Department's circular airgram of May 25.[40]

The present enlarged Venezuelan list represents a compromise between the desire of Venezuelan industrial and other elements to retain control of virtually all imports, and the importers and their supporters desiring the greatest possible relaxation of trade restrictions. This question of relaxing controls was very actively discussed both in the public press as well as in business and government circles, from the latter part of May when our "rollback" proposal was submitted to the Minister of Finance, until the pertinent ministerial decree was published on June 23 as transmitted herewith. The alignment of interest, pro and con, was the same as hitherto since the question became active,—i.e., practically all importers and business interests associated with them, practically all chambers of commerce, and the majority of daily newspapers, favoring the removal of trade restrictions, while local manufacturers, their industrial associations and interests dependent on them, were generally in opposition to such a move; in the government, the Minister of Finance (Sr. Rodolfo Rojas) continues to favor extensive removal of restrictions, while the Import Control Commission—a subsidiary of the Ministry—in principle opposes removal of restrictions. It is understood that President Medina, who last year approved the introduction of import permits, has moderated his views somewhat since the restrictions were first applied.

[39] Not printed.
[40] For a summary, see footnote 64, p. 744.

The official explanation for maintenance of the import permit system remains virtually unchanged,—(1) that national economy must be protected from sudden changes in international commodity markets that may develop as the end of the war approaches, (2) that Venezuelan authorities must continue to supervise the distribution of imported products which are subject to export control in the country of origin, (3) that Venezuelan control as to essentiality of commodities must be maintained so long as the shipping situation remains uncertain, and (4) that national industry must be protected and promoted. In actuality, the last mentioned reason undoubtedly is the most important, and it is believed that protection of local industry—present and prospective—was the principal criterion used in determining whether or not to eliminate the import permit on specific products.

Indicative of the widely-held views of those favoring the elimination of import restrictions, the translation of an editorial appearing in the influential Caracas daily *La Esfera* of June 23 is transmitted as enclosure No. 2.[41] This question also will be very actively debated at the first national meeting of chambers of commerce, industry and agriculture to be held in Caracas during the coming month.

It may be hoped that the "free list" as now established will prove flexible and may be susceptible to frequent extension as a result of the agitation going on in the country centering around the fight against the high, and steadily increasing cost of living.

Any important changes in this situation indicating progress toward more normal trade conditions will be reported promptly.

Respectfully yours, FRANK P. CORRIGAN

PROBLEMS CONCERNING THE EXPORT AND THE REFINEMENT OF CRUDE VENEZUELAN PETROLEUM[42]

831.24/1180

Memorandum of Conversation, by the Director of the Office of American Republic Affairs (Duggan)

[WASHINGTON,] January 19, 1944.

Participants: General Isaias Medina Angarita, President of Venezuela;
President Franklin D. Roosevelt;
Mr. Laurence Duggan, Director, Office of American Republic Affairs.

During the course of the dinner conversation, President Roosevelt stated that he very much wanted to help Venezuela in the develop-

[41] Not reprinted.

[42] For correspondence concerning United States interest in Venezuelan legislation on petroleum, see *Foreign Relations*, 1942, vol. VI, pp. 743 ff.

ment of its economic resources. In particular, he would like to see a large refinery established on the mainland of Venezuela. He had hoped to be in a position to tell President Medina that the priorities necessary for such a refinery could now be established. He had gone into the matter thoroughly and reached the conclusion that it would be prejudicial to the war effort to divert to the refinery the necessary steel.

President Roosevelt expressed the belief, however, that it might be possible to establish the necessary priorities this coming summer or fall. The antisubmarine campaign was progressing satisfactorily. Ship sinkings were falling off, and production was at a high point, 200,000,000 tons of shipping were being built a year. If this state of affairs continued, it was probable that the ship-building program would be tapered off, thereby making available steel plate for other uses, such as the refinery in Venezuela.

The President of Venezuela expressed great interest in what President Roosevelt had told him. He said that he naturally would like to get the refinery under way as soon as possible but that he fully understood that war needs came first. President Medina made the point very clear that he had no preference as between companies. He reiterated three times that all that he was interested in was the establishment of a large refinery and he did not care under what auspices this refinery was.

831.6363/1633 : Telegram

The Ambassador in Venezuela (Corrigan) to the Secretary of State

CARACAS, April 22, 1944—10 p. m.
[Received April 23—2:44 a. m.]

435. Terms of new concession bids cited in Department's 259 [*359*], April 22, 1 p. m.,[43] have been discussed with British Minister[44] and are reported in air mail despatch leaving by today's pouch.[45] They involve an attempt to assure refining of 10% of Venezuelan crude in Venezuela and shipment of remaining 90% out of Caribbean area in crude form. Effect would be to by-pass Aruba and Curaçao. Proposal affects Shell[46] interests much more vitally than it does our own.

Head of largest American producing company here considers this an administrative proposal which can be overcome and does not think it calls for diplomatic protests at this time.

CORRIGAN

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[43] Not printed.
[44] Donald St. Clair Gainer.
[45] Despatch 5799, April 22, 1944, not printed.
[46] Royal Dutch Shell Company.

831.6363/1633 : Telegram

The Secretary of State to the Ambassador in Venezuela (Corrigan)

WASHINGTON, April 26, 1944—5 p. m.

367. While the initiative in conversations with the Venezuelan authorities should be taken by the British and Netherlands representatives because of the immediate interests involved in the case under reference, this Government is concerned lest an unfortunate precedent be established by inclusion in the Shell contract of the proviso referred to in the Embassy's telegram no. 435 of April 22, 10 p. m. For your information Department assumes that action is based on interpretation of Chapter 1, Article 5 of law of March 13, 1943.

The Department feels, on the basis of the information thus far available to it, that however permissible from the standpoint of the aforementioned law, inclusion of such a proviso would be unfortunate and detrimental to the best interests of all countries concerned, including Venezuela, for the following reasons:

1. During development of the new petroleum law and concurrent discussions of the refinery agreements, the Department is not aware of any mention having been made by the Venezuelan Government of any contemplated limitations of this nature with respect to the export of crude oil from Venezuela. The new proviso would therefore appear to be in conflict with the impression given the oil companies that these agreements provided a stable basis for the future relations between the oil companies and the government.

2. The proviso could be detrimental to the war effort of the United Nations, since it is understood that oil could be shipped from the new Shell concession within a few months' time.

3. This Government has consistently adhered to the position that, in the interests of expansion of international trade, practices which divert trade from its natural economic courses must be avoided, and that all forms of discriminatory treatment in international commerce should be eliminated. The effect of the proviso would appear to be contrary to these principles.

Please consult with your British and Netherlands colleagues in order that your separate approach to the Venezuelan authorities will take into consideration their respective approaches, and bring the foregoing viewpoints of this Government to the attention of the appropriate Venezuelan authorities. Please keep the Department fully informed of developments and of action taken.

HULL

831.6363/1639 : Telegram

The Ambassador in Venezuela (Corrigan) to the Secretary of State

CARACAS, April 27, 1944—5 p. m.
[Received April 28—2:15 a. m.]

448. The following comment is submitted on the basis of available information in reply to Department's 367, April 26, 5 p. m.

Referring to the first two numbered paragraphs in the telegram under reference, the British Minister feels that the resolutions[48] do not go beyond the stipulations of Article 5 of the Petroleum Law and furthermore there are ample reserves available for all United Nations war purposes aside from the new concessions sought by Shell.

With regard to paragraph 3 the resolutions are undoubtedly contrary to our established principles in favor of the expansion of international trade and therefore representations might be limited to reasons expressed in that paragraph.

Proudfit, manager of Creole,[49] feels that representation at this time might unfavorably affect his company's bids for new concessions since the Government might think that representations had been sought by them while commercial negotiations were progressing to the apparent satisfaction of both parties. In this connection also the British Minister has informed me confidentially that Shell wants no representations made until recently submitted bids are acted upon fearing the same detrimental effect.

I have arranged for consultations with my British and Netherlands colleagues this afternoon and while awaiting further instructions from the Department I shall endeavor to persuade them of the possible imprudence of taking definite action prior to full consideration of the possible results. It is quite evident that of the American companies Creole at least desires that no representations be made at this time.

CORRIGAN

831.6363/1641 : Telegram

The Ambassador in Venezuela (Corrigan) to the Secretary of State

CARACAS, April 28, 1944—1 p. m.
[Received 8:20 p. m.]

451. Declaration made by President Medina in his annual message to Congress yesterday, reiterating his strong position on the refinery question influenced the trend of the consultation held last evening with

[48] Resolutions of the Ministerio de Fomento.
[49] Creole Petroleum Corporation.

my British and Netherlands colleagues, as instructed by Department. See telegram 450, April 28, for President's statement of position.[50]

A brief summary of the consultation follows.

Netherlands Minister had no instructions and could take no position. British Minister had been instructed to parallel our Government's action. Both were willing, in view of the attitude of the companies, to delay action pending additional information as to progress of companies' negotiations with the Government and other further considerations. We have agreed to consult together again tomorrow afternoon. In the meantime companies understand a new resolution will be issued today enabling specified 10 percent of oil to be refined within country, to be supplied in equivalent quality from existing concessions, thus easing commercial aspect of this point.

It would be appreciated if a brief telegram indicating Department's further instructions might be received before tomorrow afternoon.[51]

CORRIGAN

831.6363/1639 : Telegram

The Secretary of State to the Ambassador in Venezuela (Corrigan)

WASHINGTON, April 28, 1944—8 p. m.

377. The Department leaves to your judgment whether or not and to what degree representations may appropriately be made to the Venezuelan Government in connection with the matter referred to in your 448 of April 27. Department assumes that your decision will be based upon your knowledge of the local situation and discussions with British and Netherlands colleagues. Full weight should be given, however, to the principles set forth in numbered paragraph 3 of Department's 367 of April 26. British Embassy here has been informed of substance of both your 448 and this telegram.

HULL

831.6363/1642 : Telegram

The Ambassador in Venezuela (Corrigan) to the Secretary of State

CARACAS, April 29, 1944—7 p. m.
[Received April 30—1:50 a. m.]

460. I again conferred with British and Netherlands Ministers today and concerted plans for preliminary memoranda to Venezuelan

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[50] Telegram not printed; President Medina's statement indicated that Venezuelan petroleum must be refined in Venezuela or in the countries which consume it as refined products or by-products. New concessions were not to permit refinement outside Venezuela for other markets. (831.6363/1640)

[51] The Department's further instruction, telegram 379, April 29, 1944, 1 p. m., merely referred to its telegram 377, *infra*.

Government to be presented separately by each [to] Foreign Minister [52] next week.

Communications to be presented are in substantial agreement, but that of Netherlands Minister will particularly stress point of discriminatory treatment as applied to Dutch possessions.

My memorandum will follow lines of Department's 377, April 28, 8 p. m., stressing reasons presented in numbered paragraph 3 of Department's 367, April 26, but with introductory phrase to second paragraph: "aside from considerations related to successful pursuance of the war effort and continental defense", in deference to British desire not to omit mention of this point.

CORRIGAN

831.6363/1644 : Telegram

The Ambassador in Venezuela (Corrigan) to the Secretary of State

CARACAS, May 1, 1944—7 p. m.
[Received May 1—1 : 20 a. m.]

465. I saw Foreign Minister by appointment this afternoon and presented my memorandum referred to in Embassy's 460, April 29, 7 p. m.

He said that oil matters were generally handled directly between Minister of Fomento and the President. I stressed that my communication dealt solely with international aspects. Foreign Minister stated that he would discuss reasons presented in memorandum with President and inform me further. It was my impression that matter had not been cleared previously with Foreign Office.

British and Netherlands Ministers are requesting appointments with Foreign Minister for tomorrow to present views of their Governments. Copies of our own and their communications will be sent by airmail.

CORRIGAN

831.6363/1659 : Telegram

The Ambassador in Venezuela (Corrigan) to the Secretary of State

CARACAS, May 15, 1944—7 p. m.
[Received May 16—4 : 29 a. m.]

517. Foreign Office in a lengthy legalistic presentation of its case replied in a memorandum of May 13 [53] to my memorandum of May 1 [54] in which I asked for clarification regarding stipulation of a geo-

[52] Caracciolo Parra Pérez.
[53] Not printed; copy transmitted to the Department in despatch 5915, May 16, 1944, from Caracas.
[54] Not printed; copy transmitted to the Department in despatch 5845, May 3, 1944, from Caracas.

graphic area from which Venezuelan crude oil from new concessions is excluded. British and Netherlands Ministers received substantially identic replies.

Unless objection is perceived (please instruct by telegram) I consider it advisable promptly to acknowledge Venezuelan communication and express sympathy with Venezuela's just national aspirations to cement well-being of its people as well as appreciation of their collaboration with United Nations, state lack of intention to initiate discussion of judicial questions, adding that inquiry was intended to call attention to geographical provisions that seemed out of harmony with postwar plans.

British Minister is handling his communication along same lines, considering that purpose has been served by making matter one of record, to which eventual reference could be made after the war if circumstances required.

Dutch Minister whose interests are more directly affected will reiterate his objections to implications of discrimination.

CORRIGAN

831.6363/1659 : Telegram

The Secretary of State to the Ambassador in Venezuela (Corrigan)

WASHINGTON, May 20, 1944—1 p. m.

444. The Department has given careful consideration to the nature of a reply which the Embassy might best make to the Venezuelan memorandum regarding oil referred to in your 517, May 15, 7 p. m. In as much as the text of the Venezuelan memorandum has not thus far been received in the Department, it has been considered that any acknowledgment which you deem it advisable to make at this time should be entirely non-committal, merely mentioning that the memorandum has been referred to Washington.

Officers of the Department, after talking with Gainer yesterday, understand that the British plan is merely to acknowledge at this time the receipt of the Venezuelan communication. Gainer is seriously concerned, as is the Department, over the Venezuelan attitude toward the principles set forth in the British and American memoranda of May 2 and May 1, respectively, but informed us that his Legation was not pressing the matter further at present because of fear of jeopardizing the current negotiations of the oil companies with respect to new concessions.

If you have not already done so, please forward to Department at once by air mail the text of Venezuelan memorandum.

HULL

831.6363/1673

The Ambassador in Venezuela (Corrigan) to the Secretary of State

No. 5971 CARACAS, May 23, 1944.
[Received June 3.]

SIR: I called to see President Medina at noon on May 22, 1944, this audience having been arranged on May 20, following my request for it made a few days earlier.

One of the purposes of my visit was to present a bound volume of photographs commemorating the visit of President Medina to the United States in January 1944, which I had been requested to hand to him. This he received with appreciation.

President Medina then referred to the Memorandum which I had left with the Foreign Minister some time ago concerning the recent Resolutions affecting new petroleum concessions which might be granted thereunder, and asked me if the reply sent was satisfactory. I told him that the reply had been referred to the Department of State for answer. I remarked that it brought up many juridical questions which were apart from the real issue regarding which clarification had been requested in my Memorandum. I said that there was no intention to question any regulations of a purely internal character, but that he might have expected that a Resolution which delineated a geographical area which included Cuba, Haiti, the Dominican Republic, Panama, the Canal Zone and parts of Colombia, Ecuador and Brazil would be matter of interest in many Chancelleries. His contention was that the Resolutions had no practical effect at present but were a matter affecting the future of Venezuela's economy.

Without disputing this point, I stated that our primary interest is at the moment the successful prosecution of the war effort to be followed by plans for post-war reconstruction and that the Resolutions, as worded, might appear to be in conflict with these plans. He then gave me the assurances which I reported telegraphically to the Department on May 22, 1944,[56] stating wholeheartedly "that nothing in the Resolutions implied a departure from his determination that Venezuela meant to do everything within its power to help promote the war effort and to cooperate with the United Nations in their post-war planning."

I made a point of assuring President Medina that the representations made had no bearing whatever on local control of the petroleum industry in Venezuela. He then said that the issuance of new concessions under the Resolutions had been stopped pending further developments and I urged the opinion that the matter is now one for diplomatic discussion and that there seemed to be no reason why the normal relations with the industry should be affected.

[56] Telegram 539, not printed.

It is my opinion that this action on the part of the Venezuelan Government is the first step in a determined policy to put an end to the refining of Venezuelan crude oil on the Dutch islands of Curaçao and Aruba. This "intermediate industry" has been a sore point for many years. It has its roots in an ancient grudge against the government and people of the Netherlands West Indian islands. It is largely a local Caribbean problem and has very little to do with Venezuela's attitude toward the Kingdom of Holland.

Informal conversations with oil officials of various companies give a unanimity of opinion that the resolutions recently decreed, while aimed directly at the refining industry in the Dutch West Indies, will have no particular effect in the foreseeable future, i.e., for the next fifteen or twenty years, a period during which many things can happen and many changes will occur in the government of Venezuela. The interests of our American companies are not materially affected.

The matter of immediate concern, therefore, seems to be to prevent this diplomatic exchange, which is of only theoretical importance, from being blown up into an issue that will have the very practical effect of a handicap to the various sectors of the industry in their negotiations with the Government for new concessions.

Respectfully yours, FRANK P. CORRIGAN

831.6363/1675 : Telegram

The Ambassador in Venezuela (Corrigan) to the Secretary of State

CARACAS, June 5, 1944—7 p. m.
[Received June 6—2:24 a. m.]

581. I earnestly recommend that President Medina's personal and official assurances of full cooperation conveyed in my telegram 539, May 22, 2 p. m.,[57] be accepted as satisfactory answer to my request for clarification of the questions raised in the Venezuelan Government's memorandum of May 13 [57] concerning the refining of crude petroleum from new concession.

Pending receipt of my answer the Government has stopped all negotiations. The resultant situation is a matter of grave concern to petroleum operators in Venezuela. My answer would then, by a brief expression of our satisfaction and thanks, terminate the exchange.

In my opinion it would be unwise to let the geographical and juridical questions raised in the Venezuelan Government's memorandum of May 13 complicate the present situation. It is a labored and legalistic document which raises many defensive sophistries which could be the subject of almost endless exchanges. The practical effects of the

[57] Not printed.

resolution are nil for the present and problematical for the future and the questions raised in them and in the memorandum should be reserved for future discussions in general regional or world petroleum matters.

CORRIGAN

831.6363/1675 : Telegram

The Acting Secretary of State to the Ambassador in Venezuela (Corrigan)

WASHINGTON, June 8, 1944—7 p. m.

497. The Department has given careful consideration to the Venezuelan Government's memorandum No. 1300 of May 13, and to your telegram No. 539, May 22, 2 p. m.,[58] and 581, June 5, 7 p. m.

The Department does not wish, and at no time has intended, to carry on a legalistic discussion with the Venezuelan Government. Likewise, it does not wish, and at no time has wished, to jeopardize the negotiations of the petroleum companies by prolonged discussions with the Venezuelan Government.

As you are aware, however, this Government considers the principles of commercial policy set forth in numbered paragraph 3 of its telegram No. 367, April 26, 5 p. m., and your memorandum No. 1712, May 1, to the Venezuelan Ministry of Foreign Affairs[59] as extremely important at all times. It considers them doubly important at present when actions such as that taken by the Venezuelan Government establish precedents entirely contrary to the principles of post-war policy with respect to international trade set forth in the Atlantic Charter,[60] to which the Venezuelan Government itself has expressed adherence.

However, this Government, while adhering firmly to the principles enunciated in the above mentioned communications, always has regarded the acceptance or non-acceptance of the restrictive provision by the oil companies in their contract negotiations as a matter for decision by the companies themselves. It has placed no obstacle in the way of negotiations by the companies for concessions on terms which they consider satisfactory to themselves. Hence, the Department feels that responsibility for present stoppage of negotiations rests squarely upon the Venezuelan Government, which apparently has taken the position that the granting of further concessions is conditional upon the acceptance by this Government of the unsound principles embodied in the restrictive provision.

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[58] Neither printed.

[59] Latter not printed.

[60] Joint statement by President Roosevelt and British Prime Minister Churchill, August 14, 1941, *Foreign Relations*, 1941, vol. I, p. 367.

The Department is of the opinion that, unless you perceive serious objection, reply to the Venezuelan Government's memorandum should be made along the following lines.

In a written reply, you would express this Government's appreciation of Venezuela's collaboration with the United Nations, and of President Medina's personal and official assurance that nothing in the resolutions implied a departure from his determination that Venezuela meant to do everything in its power to help promote the war effort and to cooperate with the United Nations in their post-war planning. You would express the fact that this Government considers the liberal trade principles set forth in the Atlantic Charter to be of fundamental importance, and that it cannot regard the prohibition against the refining in the Caribbean area of Venezuelan oil from new concessions as other than a restriction of trade and a discrimination against a specified geographic area, which area includes certain United States territory. You would add that the Government of the United States is less concerned over the fact that the restrictive provision would operate eventually to prohibit refining of Venezuelan oil in this area than it is (1) with the fact that, in its opinion, the provision is inconsonant with sound international commercial policy and (2) with the unfortunate precedent which the provisions would establish.

Further to your written reply in the foregoing sense, you would add the following oral comment.

The position of the United States is not influenced by any desire to freeze existing situations with respect to refining against natural economic development of refining in Venezuela or elsewhere. Also, since the companies are committed to refining in Venezuela in the post-war period, a restrictive provision of this nature, which is in conflict with sound commercial policy, seems unnecessary to attain the Venezuelan objective of increased refining within Venezuela.

You would also state orally that, because of the urgent war need of rapidly increasing petroleum production, and the desirability of offsetting by new concessions the rapid withdrawals from existing fields, which offsetting is to the best interests of both the Venezuelan Government and the companies, this Government has placed, and intends to place no obstacle in the way of negotiations by the oil companies for concessions on terms the companies consider satisfactory to them. It hopes that negotiations for contracts will go forward to speedy conclusion. At the same time, you would make it clear that this is not to be interpreted as a retraction by this Government of the principles set forth in your memorandum of May 1 and your written reply to the Venezuelan memorandum of May 13.

You would further indicate that if the precedent which would be established by the restrictive provision were followed by other countries, it might well prejudice Venezuelan interests to a degree which

would be in no way offset by the contribution to domestic economy which Venezuela expects to derive from the restrictive provision.

You would also express orally the strong hope that the Venezuelan Government will be disposed to reconsider the resolutions of the Ministry of Fomento with a view to noninclusion of the restrictive provision.

The Department believes that any reference to Venezuela's just national aspirations (your 517, May 15) should be omitted to avoid misinterpretation.

If, in your judgment of the situation, the presentation of a note together with the oral comments along the lines of the foregoing would prolong the discussions or endanger the chances of the companies to secure the concessions, please report to the Department for further instructions. If, however, the delay involved in requesting further instructions would in your judgment jeopardize the resumption of negotiations, you are authorized to take such action as you feel advisable so that the companies' negotiations can go forward.

Please report fully the course you follow and your reasons therefor.

STETTINIUS

831.6363/1682

The Ambassador in Venezuela (Corrigan) to the Secretary of State

No. 6045 CARACAS, June 14, 1944.
[Received June 19.]

SIR: I had a friendly but thorough and frank discussion today with President Medina and his Minister of Fomento, Dr. Gustavo Herrera. This conference was arranged by the President himself following a previous discussion between us on Monday last which had been inconclusive.

The President opened the conference by saying, "We are ready to listen". I then expressed the sympathy which we held for the desires and ambitions which the Venezuelan Government had advanced in its memorandum of May 13,[61] but did not consider that they were under discussion. I said that we considered the liberal trade principles set forth in the Atlantic Charter to be of fundamental importance and could not but look upon the wording of the decree in question as being inconsonant with sound international trade policy.

The President and Dr. Herrera entered into lengthy explanations of the reasons and desires regarding refinery developments, etc., but I insisted that all this had nothing to do with the basic principles involved. Their response was that no principle was involved in these Resolutions under discussion since it was a provision placed in a certain limited number of contracts related to a definite block of conces-

[61] Not printed.

sions. In other words, it had to do with a concrete fact and did not represent a fixed policy on the part of the Venezuelan Government. They then showed me the limited list of concessions covered by the provision. The President said that their refining industry was developing so satisfactorily that they might even have to consider placing limits on the amount of Venezuelan crude that should be refined within the limits of the country. He stated that details of long-distance policy of the government with regard to its petroleum industry were not fixed and would depend on circumstances that might arise. At no time would the Venezuelan Government consider adopting a policy or principles that would be in disagreement with the American Government on the principles of the Atlantic Charter to which it loyally adheres.

I listened to this exposition and expressed gratification at their explanation that the provisions were related solely to a "concrete case" and did not represent the adoption of a policy. I then said that the wording of the decree was unfortunate in that it might set a bad precedent and give a bad example, and that we could not but feel that it represented a restriction even though, on the basis of their explanation, in minimal amount, and asked if there was any possibility of its being withdrawn. They answered that the decree could not be withdrawn or changed since it had already been incorporated into contracts. The President brought up the fact that the interests of the oil companies were being seriously affected by the delay incident to our representations, that the British and Dutch Governments had already admitted that the Venezuelan Government was right ("Ha dado razón a Venezuela") in their acknowledgments of the Government's answer to their requests for clarification which we had not yet acknowledged (Venezuelan Memorandum of May 13). I said that while there was a difference of opinion between us as to the interpretation of the terms of the provision, there seemed no reason why this difference should interfere with the practical relations of the Venezuelan Government with the oil companies. Such a difference of opinion between Governments as to interpretation could be left to be ironed out by experts in future conferences that would undoubtedly take place, and that with the frank and friendly discussion of our points of view I saw no reason why I could not acknowledge their answer (Memorandum of May 13) in such a way as to terminate the present exchange if by so doing the obstacle which was causing delay to important negotiations could be eliminated. The President said they would like to go ahead if I would send an answer like the ones already received from the British and Dutch. I told him that I would do so and sent a note as reported in telegram No. 619, June 14, 5 p. m.[62]

[62] Not printed.

It was my feeling that a partial victory had been won and that much greater care will be taken in future wording of decrees so as to avoid a situation like the present. Insistence on my part on a changing of the wording of this present provision, which is limited in scope, would be to insist on an action which the Venezuelan Government would, I am sure, feel to be humiliating and which they would not do. I, therefore, following this conference sent to the Foreign Office the note, No. 1756, of June 14, 1944, in the terms which were reported briefly in my telegram of June 14.[63] In the circumstances I hope that this action meets with the Department's approval.

Respectfully yours, FRANK P. CORRIGAN

831.6363/1684

The Ambassador in Venezuela (Corrigan) to the Secretary of State

No. 6066 CARACAS, June 20, 1944.
[Received June 23.]

Subject: Reaction of the Venezuelan Government to recent representations by United States, British and Netherlands Governments with regard to limitations on the refining of Venezuelan crude oil in the Caribbean area.

SIR: I have the honor to report that the reaction of the Venezuelan Government to the recent representations made by the United States, British and Netherlands Governments on the above-mentioned subject, which arose through the issuance of certain Resolutions by the Ministry of Fomento of Venezuela, was immediately reflected by a complete stoppage of all transactions with foreign companies which comprise the petroleum industry in Venezuela. The transactions chiefly affected were the pending bids for new concessions and matters relating to increasing refining facilities in Venezuela.

The Venezuelan officials, from the President down, were very much annoyed by the representations of the three Governments and at first were inclined to believe that the oil companies had provoked the representations. Many of the companies were so far along in their negotiations with the Venezuelan Government for new concessions that they had made heavy commitments for material for construction, drilling and pipe-line operations. This situation placed them in a very difficult position and they could obtain no information from the Venezuelan Government as to when, if ever, the situation would open up again. Some of the newer companies which have recently entered the Venezuelan field and which were consequently not familiar with the local situation were quite depressed and showed an inclination to withdraw from the field. This was the impasse which was finally broken by

[63] No. 619, 5 p. m., not printed.

my conference with President Medina on Wednesday June 14, as reported in my confidential despatch No. 6045, June 14, 1944.

During the remaining days of last week there was an attitude of expectancy. Rumors of action by the Government were rife and a new attitude was noted on the part of the interested officials during the remaining days of the week and especially after the long Cabinet meeting which took place on the afternoon of Friday June 16, which lasted for three and one-half hours. Then on Monday June 19, the dam broke. First there was a telephone call from one company representative who had received direct information from the Minister of Fomento. At this time all he said to Mr. Maleady,[64] the member of my staff in most direct touch with petroleum matters, was "Well, we have the green light". Later in the day Mr. Van Hasselt, head of the local Shell group who has just been promoted for duty in the London office of the company, called up. He had gone to see President Medina by a previous appointment to make his farewell visit before leaving. At this time the President informed him that he had given instructions to the Ministry of Fomento to go ahead with the new concessions. Last night Mr. Butterworth of the Richmond Oil Company (Standard Oil of California) reported to me that there had been favorable action on his bids that afternoon.

Mr. Butterworth, of the Richmond Oil Company, is one of the recent arrivals who had come to me in a pessimistic mood last week to tell me that his company was very disturbed about the way things seemed to be going. It happened that his visit was on the afternoon of the day on which I had conferred with the President and Dr. Gustavo Herrera, Minister of Fomento, and I was able to express to Mr. Butterworth a degree of optimism that gave him some encouragement. His parent company, the Standard of California, is ready to make investments running into many millions of dollars in Venezuela.

The companies most affected by the paralysis which prevailed for a time in negotiations with the Venezuelan Government were companies that are still in the exploration and development stage and as yet have no production. Such companies as Socony, Texas[65] and others have sunk as much as twenty-five million dollars each (Atlantic Refining somewhat less) in pure development work and were hoping to recover this from the new concessions which they expect to receive.

The Venezuelan Government had taken a very firm, one might say stubborn stand, and would make no concession of any kind until the diplomatic imbroglio had been cleared up. Mr. Proudfit, Manager of the Creole Company, told me that the Venezuelan officials would not even talk to him about the location of a large refinery that his

[64] Thomas J. Maleady, Second Secretary of Embassy.
[65] The Socony Vacuum and Texas Oil Companies.

company is ready to build, although refinery construction is what the Venezuelan Government has most desired. Vital interests and investments running into really impressive figures were being adversely affected by the stagnation which had resulted from our representations, mild as they were, and the Venezuelan Government's reaction to them.

This was the situation that led me to ask for instructions to terminate the present phase of the diplomatic interchange. The ire of the Government was directed principally at us. They had expected such action from the British and Dutch but not from the Americans.

The oil company officials are now giving a sigh of relief, but several have told me, now that it is all over, that they think the general moral effect has been good and had made the Venezuelan Government realize that it must not forget the existence of certain basic principles.

Respectfully yours, FRANK P. CORRIGAN

831.6363/8–2444

The Secretary of State to the Venezuelan Chargé (Lares)

WASHINGTON, September 2, 1944.

SIR: I have received your note of August 24, 1944 [66] referring to the proposed installation of certain additional petroleum refining equipment at Curaçao and requesting the support of my Government in expediting the obtaining of necessary materials in order to make possible the carrying out of the terms of the agreements concluded in February 1943 between your Government and certain petroleum companies.

You may be sure that the Government of the United States will make every effort, subject, of course, to military requirements, to facilitate the obtaining of the necessary materials by the interested oil companies in order that they may comply with the terms of the agreements with the Government of Venezuela.

The Government of the United States is fully aware of, and in sympathy with the aspiration of the Government of Venezuela to increase refining capacity on Venezuelan soil, consistent with the agreements concluded by your Government in 1943 with the petroleum companies. My Government is also aware that, as reiterated in your note of August 24, 1944, the Venezuelan Government has never had the intention of interfering in any way with the present refining facilities in the West Indies, but, on the other hand, that your Government is

[66] Not printed; the Venezuelan Chargé complained that the Petroleum Administration for War was supporting a plan of the Shell interests to build a new refinery on Curaçao contrary to agreements between the Government and the Company (831.6363/8–2444).

anxious that any increase in the refining facilities to utilize Venezuelan crude petroleum, be established in preference on Venezuelan soil.

With respect to the proposed installation of certain additional petroleum refining equipment at Curaçao in the near future, I believe it is important to emphasize that the additional equipment is accessory to existing equipment and dependent upon it. The equipment under consideration does not constitute a new refinery in the sense of an independent integrated refining plant which could be erected and operated as a separate self-supporting unit. In order to utilize the proposed new equipment in Venezuela, it would be necessary to engage in a very much larger and longer-term project to provide first the basic facilities upon which this accessory equipment would depend. Because of an urgent need for additional supplies of 100-octane aviation gasoline and Navy special fuel oil, the installation of the new equipment at Curaçao was authorized by the Armed Forces of the United States under the United Nations supply program, and was recommended for high priority for materials by other agencies of the Government of the United States.

The new equipment not only will be used in large part to re-run semi-finished products from the existing refining facilities at Curaçao, but in addition will increase the total capacity of those facilities so that there will be increased over-all output of 2,200 barrels a day of 100-octane aviation gasoline, plus 3,900 barrels a day of 87-octane aviation gasoline, and 4,600 barrels a day of 80-octane military motor gasoline, and also 32,400 barrels a day of Navy special fuel oil. This increase is based upon a contemplated daily input of 34,500 barrels of Lake Maracaibo crude petroleum, and depends in addition on 23,000 barrels daily of unfinished and blending components from existing facilities in the Curaçao refinery.

Consideration was of course given by the appropriate agencies of this Government to the possibility of incorporating this increased refining facility as an addition to the existing refineries in Venezuela. Careful study, however, demonstrated that the addition of this unit to the Curaçao refinery would result in a greater flexibility in the utilization of a wider range of crude petroleum with a consequent more favorable ratio of gasoline to fuel oil and a relatively smaller expenditure of critical materials, as well as advantages in the time factor. I believe that your Government will agree that these considerations indicate that the addition of this equipment to the existing refining facilities in Curaçao is justified by its immediate and direct assistance to the war effort.

Accept [etc.]

For the Secretary of State:
A. A. Berle, Jr.

831.6363/10–444 : Airgram

The Ambassador in Venezuela (Corrigan) to the Secretary of State

CARACAS, October 4, 1944—4 : 10 p. m.
[Received October 6—5 p. m.]

A–820. References:—Confidential despatch No. 6441 of September 7, 1944 and Restricted despatch No. 6497 of September 27, 1944.[67]

The Manager of the local Dutch Shell Group has informed me that the Minister of Fomento in a conversation held yesterday again pressed him to obtain an agreement "in principle" from the American and British Governments that they would furnish materials, supplies and equipments at the earliest possible date to permit construction of the refinery (at Punta Cardón, Paraguaná Peninsula, State of Falcón) which the group is under obligation to build.

The Minister wants to make an appropriate public announcement—that amplification of facilities at Shell's Curaçao plant is part of our war program and that the two governments will make materials available as soon as possible for refinery construction on the Venezuelan mainland—before the opposition press learns of the large volume of materials which has already arrived at Curaçao and makes political "hay" thereof during the present political campaign by charging the administration with being asleep and not seeing to it that the materials were shipped here instead of to Curaçao.

The Minister reportedly spoke to the recently-arrived British Ambassador [68] about the matter when the latter paid his first official call a few days ago and said that he was again requesting that instructions be sent to Ambassador Escalante to ask our Government for the desired assurances or agreement.

The Shell manager,[69] who cabled his London headquarters when the Minister first brought the subject up, has not been informed whether the British Government has decided to give the desired assurances or agreement or has taken the matter up with Washington, but reported the matter to me in order that the Department might be forewarned of a possible visit from Dr. Escalante.

CORRIGAN

AGREEMENT BETWEEN THE UNITED STATES AND VENEZUELA GRANTING THE UNITED STATES EXCLUSIVE PURCHASING RIGHT TO ALL OF VENEZUELA'S EXPORTABLE RUBBER

[For text of Agreement effected by exchange of notes signed at Caracas, October 13, 1942, and exchanges of notes of October 11, 1943,

[67] Neither printed.
[68] Sir George Arthur Drostan Ogilvie-Forbes.
[69] John H. Loudon.

and October 13, 1944, extending the Agreement, and of September 27, 1944, amending the Agreement, see Department of State Executive Agreement Series No. 466, or 58 Stat. (pt. 2) 1572, 1581, 1582, 1584, respectively.]

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