NICARAGUA

MESSAGE OF PRESIDENT EMILIANO CHAMORRO TO THE NATIONAL CONGRESS

File No. 817.032/25

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

[Extracts]

No. 619 MANAGUA, *December 24, 1918.*

SIR: I have the honor to inform you that on the morning of Sunday, December 15, there was held the formal opening of the Nicaraguan Congress by President Chamorro, a copy of whose address I transmit herewith. . . .

The outstanding characteristics of the message were its optimism and its friendly references to the United States, neither of which was unmerited (though the optimism is justified chiefly by the assistance rendered by the United States, as was not stated). . . .

I have [etc.] CHARLES B. CURTIS

[Enclosure—Translation—Extracts]

Message of President Emiliano Chamorro to the National Congress, December 15, 1918

It is a source of special complacency for the Nicaraguan people and Government that you can undertake your tasks as the terrible evils of war cease and, with the blessing of universal peace, the complete triumph of democratic ideals dawns with brilliance. Once humanity is calm again and the balance of losses and gains from the tragic conflict now ended is struck, you will undoubtedly find that over all the ashes and material ruins there stands proudly the decisive triumph of the purest ideals of universal justice.

If the obtaining of the victory has required sacrifices animated by most enthusiastic patriotic sentiments, the complicated peace arrangements will require still greater ones, since this peace must be durable and therefore just. A clear vision of this great truth and complete devotion to the abstract principles which must be its foundation have been shown by the United States during their intervention in the war and in their decided influence on the peace negotiations, in which President Wilson has gone so far as to take a personal part.

Apart from the fact that the moral principles for which my Government determined to place itself frankly and decidedly on the side of the Allies remain unalterable, the result has convinced all Nicaraguans that that was the true and honorable path which our Fatherland had to take; and the manifestations of jubilation and sympathy made by the people in general, including those very ones who opposed that decision, when it was known that victory had been obtained, are eloquent proof that the Government knew how to interpret the sentiments of the Nicaraguan people and protect their interests.

Humanity, afflicted by the immense moral and material sacrifices which the victory has cost and by the peril in which were the ethical principles of Christian civilization, is anxious to find means to impede in the future the repetition of the tremendous conflict, and the statesmen of the great powers propose the formation of a League of Nations, united to maintain on the face of the earth international right and justice, through the recognition of identical rights to each and every one of them, without smallness militating against any one enjoying its full sovereignty.

Such a fraternal league, which fills with rejoicing all well-disposed hearts, and fills with just hope all weak nations, must bring with it to us a greater number of responsibilities, for it is impossible to imagine its existence except among nations which have similar political institutions, institutions practised and jealously guarded by their governments and their peoples. The enjoyment of liberty brings harnessed with it the duty of availing one's self of it in a conscientious manner, and of knowing how to submit one's self to its necessary limitations. We must learn to respect ourselves in order to demand that others respect us and thus be able to offer our honest and clean hand to all the peoples of the earth.

The champion of those ideals is the Government of the United States, a nation with which Nicaragua has continued to have the most frank and sincere relations, our interests and theirs following parallel paths.

Its adherence to these ideals decided me to enter without vacillation on its side in the war against the Central Empires and to offer through our Minister in Washington the cooperation of Nicaragua, so far as it could be useful, including the military service and the organization, on the same footing, of the whole country, for the purpose of increasing the production of articles of prime necessity for the consumption of the Allied Nations. The happy termination of the war took from us the opportunity of proving our determination, in which, with few and unavoidable exceptions, I counted upon the decided backing of the Nicaraguan people. This was proved by the promptitude with which they responded to the invitation which I sent to the capitalists and merchants of the country to get them to subscribe to the fourth Liberty loan, which subscription was offered upon the altar of Liberty in New York on Nicaragua Day, and which, while small by comparison with large sums subscribed by the people of the United States, is significant enough, since it comes from a people of limited financial possibilities and was subscribed, as can be seen, by a large number of persons to demonstrate sympathy for the cause of the Allies, while in the mind of none of them could there have been considerations of profit, considering the good returns obtained by capital here.

I said that it was significant enough because it well shows the sentiment of inter-American solidarity which we governors must take fully into account, since, even if the constitution of the League of Nations become a reality, it is evident that within it there will be organized groupings of more or less closely related nations and the smallest will certainly not be the one which ought to be constituted by all of us who live on the same continent, bound together by the ideals, sentiments and interests which constitute the doctrine of Pan-Americanism. . . .

Honduras.[1]—The old question with our sister of the North on account of part of the frontier line, which has not yet been defined, is being settled through friendly counsel of the Government of the United States, whose mediation both Republics accepted as a consequence of the incidents which occurred in the town of Las Trojas and in some other place on the left bank of the Coco, in territory which always has been and will be under the sovereignty and dominion of Nicaragua.

Since my entrance to the Presidency I have endeavored to solve this question, as much because it is opposed to the interests of both countries, as because the special affection which I have for Honduras, where I resided for some time, and the old friendship which binds me to the distinguished gentleman and the very great public man who rules its destinies seemed to me to facilitate the task of a friendly settlement, in the midst of the dangerous feelings which are easily excited in discussions of this nature. In spite of all my desires to keep the question within the bounds of the greatest cordiality, there was a time when the Government of Honduras sent troops which entered a small portion of our territory which never has been in dispute. In view of this, the Government limited itself to ordering a guard of 12 soldiers who went to the same place in order to claim its sovereignty. Our guard was received by the head of the Honduran forces with every courtesy and they camped in the same place, the two sister flags flying in the same territory for some time until mediation having been accepted both retired in order that the question be settled by that means. The incident which I have reviewed shows clearly the puerility of taking to the forbidden fields of violence matters which can and must be settled in a peaceful manner.

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[1] See "Boundary Dispute: Honduras and Nicaragua," *ante*, p. 11.

The Government has designated our Minister in Washington, Don Diego Manuel Chamorro, as head of the commission which shall discuss with the respective commission of Honduras and with the mediation of the North American Government the manner for settling definitely the said boundary line.

Costa Rica.[1]—I have to inform you that I have not yet been able to renew official relations with the political régime which rules in Costa Rica, because there exist causes which prevent me from recognizing General Federico Tinoco as the Constitutional President of that Republic. The time which said régime has remained in existence forces me to explain clearly and faithfully the reasons which I have had for not granting that recognition.

Therefore, I must state that I recognize in all its extension and with all its consequences the right which every people have for giving themselves the government which most pleases them and for establishing, supporting, or overthrowing the political institutions as may please them. I recognize that in order to obtain these ends peoples have the right to make use of all the legal means possible, and, if these do not suffice or if they miscarry, to resort to extreme measures for the attainment of those ends, which are suitable for their existence. But these rights are of the people and serve as their safeguard against the excesses and oppressions of the governments; but never can they serve to justify *coups d'états* or army movements contrary to the constitutional order. Unfortunately, this last class of movements is that which has been most frequent in the history of our civil wars, whence arises the sterility of that which in Spanish-America we have sometimes called revolutions.

In consequence of these ideas, the Government of Nicaragua has never shown hostility to that of General Tinoco and fulfils by the means recommended by international law, the strictest neutrality as to the matters of internal politics of Costa Rica, without disturbing in the slightest way commercial communications which are intense between the two closely related and neighboring peoples; but it reserves to itself the sovereign right of choosing the other governments with which it desires to cultivate official relations and with this object in view directs its course by those high principles which rule democracies, principles of rigid ethics, which must be applied without vacillation in the interest of the normality of our own political life and of the solidarity, which grows daily closer, which exists between the peoples of the earth. . . .

With peace have come great modifications in the economic organization of society, and the intervention of the state in industry and commerce, which appeared to be a temporary means to care for the urgent needs of the war, tends to be converted into a current system of government and penetrates slowly but surely, even in countries in which individualism seemed to have the most fixed institutions, as in the United States and England. . . .

Finance and public credit.[2]—The difficult situation created in the world by the war, if it had grave effects upon our national economy, has in exchange given us great benefits once our activities and resources have adapted themselves to the new methods of commerce and production. The continued evolutions of progress in all branches of human life bring benefits in themselves and it is only necessary that man's intelligence try to take advantage of them instead of resisting or denying them.

Our exports in the present year have nearly doubled in value; and this figure is certainly not the happiest feature, but rather the class and variety of the products which we have sent, chiefly agricultural, that industry constituting the logical development of our country.

The mercantile movement has not been only a mass of wealth for some few merchants but extends its influence over the generality as is indicated by the increase of the medium of circulation and the growth of the monetary conversion fund. There are now C$2,960,000 in circulation with a guarantee of $1,300,000 deposited in New York, index and reserve of the trade balance in our favor.

In spite of all the pessimistic prognostications which the political opposition made as to the financial arrangements of the Government, the first year of its operation proves that my efforts have not been sterile and that the public administration has known how to get successfully out of all its difficulties and

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[1] See under Costa Rica, "Political Affairs, etc.," *ante*, p. 229.

[2] See "Financial Affairs," *post*, p. 823.

has complied faithfully with all its engagements, the only way to obtain credit and to make a firm foundation for our economic welfare.

One of the clauses which provoked the greatest attacks is the one which stipulates that in case the internal revenues should fall below C$180,000 in any quarter, the administration and collection should pass into the hands of the Collector General of Customs. I am pleased to be able to announce to you that those revenues have become constantly greater and that during the present year they have produced a little more than C$1,150,000, that is, that we have been able to pay with them alone our budget of C$95,000 per month and to obtain even a small surplus, which will increase the overplus of the customs receipts, which you will dispose of for the progress of the Republic.

The Ethelburga loan, whose service was suspended for a time during the past administration, has been paid faithfully during the year, and the capital represented by the sealed bonds is £1,159,000.

What we owed to the New York bankers for the Treasury bills on December 17 of last year was the sum of	$530,000.00
To the payment of which were devoted during the year the dividends of the railroad and of the bank	218,872.00
Which leaves a balance of	$311,872.00
There are also due to the New York bankers on the deferred bills, i. e., on the Emery claim	$263,986.12

The interest for all the year which corresponds to the foregoing credits has already been paid from the customs revenues of the Republic.

This is the total amount of our foreign debt, a very small amount compared with what other nations owe, even nations of inferior economic conditions. If the Republic continues its serene progress, even without the improvement which we have a right to expect owing to the conclusion of the war, and counting on the good judgment of the Nicaraguan people, completely dedicated to work, without hearkening to the songs of the siren of those ambitious for power, the Republic will very soon be free from its present liabilities, since of the surplus of the revenues which the Government has on deposit with the Banco Nacional, which on the last day of November amounted to C$402,113, more than one hundred thousand dollars was devoted to the New York debt and an equal amount to the Ethelburga.

The High Commission is complying religiously with the service of the internal debt, for whose payment there were issued C$3,800,000 of bonds. The first half year's interest was duly covered and there also was amortized by lot C$18,350.

The revenues set apart for this purpose are more than sufficient and will surely leave a surplus.

They are: the tax on capital, the additional 12½ per cent on import duties, half of the produce from the sale of national lands and excise taxes. For the half year to be paid on February 1 of next year, there was already deposited in the bank on November 30 last the sum of C$55,449, in spite of the fact that the three last named taxes were not collected throughout the year.

Such, briefly, is the result of the economic arrangements which I have carried out and which, like the solid cement hidden under the earth, will serve as an imperishable foundation for the future aggrandizement of the Republic.

For the first time in many years the Honorable Congress can hear that we have not only faithfully complied with our obligations, paying punctually the general budget of expenses, but offer it a considerable surplus ready to give an impulse to the progress and aggrandizement of the Fatherland and that the time is not distant when Nicaraguan bonds will be quoted on the exchanges of the world with the credit which comes from the honor and not from the size of a nation.

FINANCIAL AFFAIRS[1]

Settlement of Claims against Nicaragua by the Commission on Public Credit; Authorization by the Congress for a Bond Issue

File No. 817.51/978

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

No. 383 MANAGUA, *June 19, 1917.*

SIR: For the information of the Department I have the honor to transmit herewith the first interim report of the Commission on Public Credit, as prepared by Mr. A. F. Lindberg, Commissioner. That the Department may be kept fully advised as to the work accomplished by the commission I have requested Mr. Lindberg to prepare from time to time such reports.

I have [etc.]

BENJAMIN L. JEFFERSON

[Enclosure]

The Commissioner on Public Credit (Lindberg) to the Secretary of State

MANAGUA, *June 18, 1917.*

SIR: I have the honor to present herewith a brief review of the work accomplished by the Commission on Public Credit in the first three months of its existence.

Number of claims received

To date 1,440 claims have been presented, including those of Nicaraguans and foreigners. The list of creditors is approximately 4,500. The time limit for presentation of claims on the west coast of Nicaragua expires July 30 next; for the east coast August 30 next; and for claims of creditors residing outside of Nicaragua an extension beyond three months is within the discretion of the commission. The total of these claims aggregates $7,500,000.

Registration of claims

The claims are being currently registered, first, as presented by the creditor, showing principal, accrued interest to December 31, 1916, and total; second, the claims will be classified by the commission under various headings showing their origin; third, the amount of the award will be shown, payment data, and data of the allotment in bonds.

Friendly agreements with creditors

It was decided that as far as possible, consistent with the character or origin of the claim and the economic situation of the Government, friendly agreements with creditors, rather than arbitrary rulings without hearings, should be the policy of the commission. I feel safe in asserting that $1,000,000 has been lopped off the debt total by voluntary concessions made by Nicaraguan and foreign creditors. This fact alone demonstrates that the commission is a success, as well as the feeling among foreigners and natives that the commission would give them fair and equitable treatment. A partial list of these reductions, by names and amounts, is included in Exhibit "A", herewith submitted.[2]

Cash available for debt purposes

The commission has been unable to make final awards on cash loans to the Government or make any definite promises, through uncertainty as to the amount available of the Canal treaty funds. From the start negotiations were at once begun with creditors whose documents represented actual cash loans to the Government, as well as with the holders of obligations in amounts of

[1] Continued from *Foreign Relations*, 1917, p. 1112.

[2] Not printed.

$100,000 and over. It was the belief of the commission that a voluntary reduction on the part of these cash creditors either in the accrued and unpaid interest charges or in the interest rate, would serve as a lever to secure larger concessions from the holders of less preferred credits. The commission has definitely pledged itself that in the event of there being $2,000,000 cash available, at least 50 per cent of the principal of these loans would be paid the holders in cash.

Origin of the debt

While a fair idea was had of the origin of the debt, acquired in the preparation of the statement sent to the Department under date of August 24, 1916,[1] this statement was merely a classification and listing of the data as disclosed by the records of the Government, or from information given to me in my capacity as an official of the customs service. I had then no authority to examine books, records and accounts, to call on witnesses, to ask for testimony and proof, etc., as is now within the scope and authority of the commission. The underlying value of the debt, represented by cash loans to the Government and merchandise claims (principal value only) excluding interest, is approximately $2,000,000. Considerable time has been spent in analysis in order to arrive at this figure. The balance of the debt, approximately $9,000,000, may be classed under war claims, arising from direct and indirect losses from civil war and military operations, cancelation of concessions and arbitrary acts of constituted governments.

Problems and purpose of the commission

The following are in a general way the fundamental principles to be followed by the commission in the making of awards:

(1) To eliminate entirely or reduce materially the accrued and unpaid interest on all classes of obligations, as well as reduce the rate of interest.

(2) To reduce exaggerated and excessive war claims to an amount consistent with the present financial situation of the Government, and a conservative estimate of the future financial resources of the Government; and to reconcile the interests of both Nicaraguans and foreigners in this class of claims.

(3) To force speculators in Government documents to accept the purchase price, if possible, of their certificates of indebtedness.

(4) That in the exchange of non-interest bearing documents for interest bearing bonds, the commission will make substantial reductions, based on future interest payments for account of such refunded obligations.

(5) To eliminate some of the excessive profits charged in merchandise bills and accounts, the vendors having taken advantage of the necessities of the Government.

(6) To cancel all obligations where creditors have not complied with laws and fiscal regulations in order to secure the Government's acknowledgment of their indebtedness, or whose claims are outlawed by the statute of limitations. In this connection, the commission will also take into consideration the fact that creditors shall not lose their rights through ignorance, carelessness or malice on the part of Government officials, nor where the creditor was justified in believing in the right and authority of the Government official to bind the Government in a contractual obligation.

(7) To follow the principle of set-off when a creditor is also a debtor of the Government.

(8) That pensions and allowances, subventions to foster and further religion, education, charity and public improvements, be scaled according to the tenor of No. 2.

(9) That old customs bonds of the Zelaya and Madriz régimes still in circulation, as well as those refunded in 1913, be valued on the basis of rate of issue, premium paid or discount taken, rate of exchange current at time of issue, as well as proof that value was actually paid to the Government in exchange for these bonds.

(10) That the internal revenue bonds of 1913 be valued on the basis of the character of the documents exchanged, as well as on the basis [of whether] the subscriber did or did not comply with the law in receiving these bonds.

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[1] Not printed.

(11) That all transactions affecting cash loans to the Government, as well as transactions in terms of foreign moneys, be valued with due consideration of the official rate of exchange as well as the market rate of exchange, eliminating heavy profits in exchange, the Government as a rule being the sufferer in exchange transactions.

Interest on Canal treaty funds

I venture to make the query if in some way it could not be arranged to pay a small rate of interest on the unexpended balance of the Canal treaty funds, by depositing it in trust or escrow in some bank or trust company, until the work of the commission is concluded? If this could be done under the fiscal regulations of the Treasury Department and the decision of the Comptroller of the Treasury, it would be very well received by the Government of Nicaragua, and would contribute indirectly towards the maintenance of the commission.

Changes in personnel

Mr. James H. Paxton, appointed arbitrator of the commission in case of dispute, has resigned and left Nicaragua. Mr. Martin Benard, president of the commission and Minister of Finance, resigned the early part of June, which I deeply regret. On account of the resignation of Mr. Benard I have individually signed this report.

It is my intention to present a full and complete confidential report of the work done by the commission, as soon as possible after September 14, 1917, aside from any official report which may be rendered by the commission.

Very respectfully,

A. F. LINDBERG
Commissioner

File No. 817.51/1079

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

[Telegram]

MANAGUA, *January 8, 1918, 11 a. m.*

President Chamorro, in conformity with Article 7 of financial plan, has designated Don Octaviano César as the Nicaraguan member of the High Commission. I consider the appointment excellent.

Chamorro requests that the Secretary of State make his appointments at this time. I am of the opinion that the appointment of Lindberg will be satisfactory, as well as that of Professor Jenks as umpire.

JEFFERSON

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

[Telegram]

WASHINGTON, *January 14, 1918, 4 p. m.*

Your January 8, 11 a. m. Secretary of State in conformity with Article 7 of financial plan has appointed Lindberg, who is member of permanent group committee of Nicaragua, and has also appointed as umpire Professor Jenks of same committee.

Please cable fully results of reports of Debt Commission and inform Department as to exact sum in hands of Nicaraguan Government to pay all claims. What is intention in regard to settlement of Mixed Claims Commission's awards as well as awards of Debt Commission? How large an issue of bonds will be necessary? Is arrangement satisfactory to all parties, including American, British, Italian and French claims?

LANSING

File No. 817.51/1081a

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

[Telegram]

WASHINGTON, *January 14, 1918, 5 p. m.*

Minister of Finance cables Nicaraguan Legation that he needs $50,000 to cover 1917 budget. Cable your opinion as well as Lindberg's as to this matter and how you consider it should be paid, if you are favorable to payment.

LANSING

File No. 817.51/1084

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

[Telegram]

MANAGUA, *January 21, 1918, 11 a. m.*

Department's January 14, 4 p. m. Nicaraguan Government has authorized issue of bonds not to exceed $4,000,000 under ruling of High Commission. Due to lack of knowledge as to results of final offers on English, Italian, and French claims of diplomatic character, Debt Commission presents the approximate total of $5,200,000.

Italian and French representatives recommended their Governments to accept awards. British Legation claim is still pending. Last offer was £8,000 cash and £2,000 bonds. Spanish claims are practically settled with consul. Believe friendly agreements will be made. Complaint has been made about Dutch diplomatic claim but it deserves no better treatment than other Dutch claims.

Mixed Claims Commission judgments have been untouched in the hands of original holders and are to be paid approximately 15 per cent cash and 85 per cent bonds, while claims in the hands of third parties and speculators have been scaled to 50 and 30 per cent. Claimants who have not presented data as to their judgments have been protected and a reserve set aside. The commission has refused to increase amount awarded on Mixed Claims Commission judgments or to reopen cases where claim was ruled out.

Following being therefor partial payment parliamentary documents practically decided on which may be affected as to decision on budget deficit for 1917; on actual cash loans to Government 45 to 50 per cent in cash of principal only; on merchandise claims after scaling 30 to 35 per cent in cash; tobacco certificates 30 per cent in cash principal only; on Government budget salaries last four months of 1916 given preferential treatment all cash; on periods prior 20 per cent scaling and all cash salaries only. Other budgetary obligations such as services, subventions, and pensions scaled heavily; all awards of $100 and less to be paid in cash. Unpaid and accrued interest on all Government obligations has been entirely eliminated. All Government documents of credit sold or transferred have been scaled.

Of a total of 12,008,030 creditors claim $6,000,000 which have been reduced to a little over $2,000,000. Awards are to be settled by payments in checks or drafts and delivery of interim receipts pending receipt of definite bonds.

Sequence of payments as follows: First, creditors who claim over $100,000; second, Senators and Deputies of Congress now in session who have claims; third, the Department of Managua and thereafter by Departments according to the amount of debt. Payments to claimants are to be made direct as far as possible. Cannon and Groce claims are to be paid in full in cash.

Documents in the hands of direct heirs are not scaled on that account except in holders of Morales loan. In bankruptcy cases where claimant forced to accept Government documents and at less than amount of his proven claim, some consideration is given where the information presented can be relied on. This will help foreign trade credits. Seven hundred war claims of 1912 settled, each on its merits, and very few command more than 40 per cent.

Balance of customs revenues on November 15 held by Ham and available for transfer to Nicaraguan Government is $1,092,695.96.

JEFFERSON

File No. 817.51/1083

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

[Telegram]

MANAGUA, *January 21, 1918, 4 p. m.*

Department's January 14, 5 p. m. Budget deficit to date for the year 1917 shows about $64,000 in arrears. The Government says that it will only pay $50,000.

From whatever funds used for this purpose, the same procedure as with canal funds should be followed. In addition thereto the two Governments should be in accord, whether the money should be applied *pro rata*, some claims paid in full, others scaled by varying percentage, or eliminated entirely.

With reference to the above deficit and based on a note just received from Foreign Office, and referring to the Department's December 14, 4 p. m.,[1] if it meets with approval of the Department, and setting aside the $50,000, I will address the Minister for Foreign Affairs in the following sense:

> The money in the hands of Ham shall be transferred to the order of the High Commission in Managua to be credited to a special account for the Public Credit Commission awards as well as the available canal functionary monies, these latter funds to be left in the United States Treasury for the present. Awaiting decision as to the advisability of their transfer to the National Bank of Nicaragua in Managua or designating a temporary depositary in the United States. Disbursements shall be made from this account by means of checks or drafts to be signed by the two active members of the commission.

I believe that payments should begin as soon as possible.

JEFFERSON

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[1] *Foreign Relations*, 1917, p. 1153.

File No. 817.51/1094

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

No. 473 MANAGUA, *January 29, 1918.*

SIR: I have the honor to enclose herewith for the information of the Department a copy and translation of the bond law that was passed by the Nicaraguan Congress in extraordinary session, on December 14, 1917, and published in the Official Gazette, on December 20, 1917.

The Congress authorized the issue of four million cordobas at 5 per cent. The provisions of the law were enacted in accordance with the financial plan, and the bond service is to be supervised by the High Commission. The stipulated guarantees, embodied in the act pledging 12½ per cent of surcharge on the receipts of the customs revenues, half of the tax on capital and contingent sum to be applied after the public debt service is taken [care] of, should insure the payment of the interest and amortization of the bonds. However, the successful operation of this law will rest with the High Commission.

The Nicaraguan Government is very much interested in having published attractive bonds as cheaply as possible, and it has been suggested that it might be possible that the United States Government would consent to do this work, it being understood that this Government would pay a small amount over the actual cost of the printing.

I have [etc.]

BENJAMIN L. JEFFERSON

[Enclosure—Translation]

Bond law of December 14, 1917[1]

DECREE NO. 25

The Senate and Chamber of Deputies of the Republic of Nicaragua decree:

ARTICLE 1. To authorize the Executive power to make the consolidation and payment of the public debt on the following bases:

(*a*) One part of this debt shall be paid in cash and the other in guaranteed customs bonds, which will be spoken of later. The distribution shall be made in conformity with the settlement made by the Public Credit Commission.

(*b*) The amount of bonds to be issued will be four million dollars, which shall bear interest at five per cent (5%) annually, which shall be payable semiannually. These bonds can not be applied to other purposes than the payment of the amounts recognized by the Public Credit Commission.

(*c*) If after the interest be paid from the revenues appropriated for the bond service there remains a surplus, it shall be applied to the amortization of the principal, in conformity with this law and the regulations which may be issued.

(*d*) For this bond service the following shall be appropriated: the 12½ per cent surcharge on the import duties of the customs of the Republic, and 50 per cent of the direct tax on capital. When the obligations in the financial plan have been met, so that the Government may freely dispose of the product of the capital tax, the total of this tax shall be applied to the customs bond service. If at any time there is wanting any amount to complete the sum of two hundred and forty

[1] *La Gaceta*, December 20, 1917.

thousand dollars ($240,000) annually for the payment of interest and the amortization, at least one per cent (1%) on the principal of the bonds, that amount which is lacking to complete said sum shall be taken from the 50 per cent residue of the surplus revenues, according to Article 8, paragraph (*d*), of the financial plan. The additional tax of 12½ per cent shall be collected by the Collector General of Customs and deposited in the National Bank of Nicaragua, Incorporated, to the order of the Minister of Finance, and by him to the order of the High Commission, to which the following article refers.

ART. 2. The bonds shall be called guaranteed customs bonds, shall have the form and values prescribed in the provisions of the law, and shall be paid by the National Bank of Nicaragua, Incorporated, on order of the International High Commission, which shall operate as fiscal agent of the Republic. No bond shall be valid without the registration and authentication of the High Commission.

ART. 3. The interest shall be paid to the bondholders semiannually, the first of March and the first of September each year, for the preceding half-year which terminates June 30 and December 31 respectively.

For the payment of interest and principal or redemption of the bonds, the funds appropriated for the debt service shall be deposited in the National Bank to the order of the High Commission.

ART. 4. The Republic reserves to itself the right at any time of adding other revenues or funds for the payment of the debt service or the rapid redemption of the bonds.

Also at any time and without invalidating the provisions in Article 1, paragraphs (*c*) and (*d*), and the Articles 5, 10 and 14 of the present law, the Government shall be able to purchase with part or the whole of the surplus of its receipts, or any other funds which may be at the disposal of the Republic, at least at par, the guaranteed customs bonds, before doing which it shall put notices in the papers, at least a month in advance, announcing that a certain sum will be applied to the purchase of the bonds, in order that those interested may send their offers to the High Commission; and it shall use the sum which the Government may have placed at its disposal, buying the bonds which may be offered at the lowest price.

ART. 5. The guaranteed customs bonds canceled, redeemed, or purchased by the Republic shall be canceled by the fiscal agent and shall not be reissued. However, the interest due on each bond, redeemed or purchased, shall increase the debt-service fund in order that it may be applied to the payment of the interest and principal of the bonds issued and still in force.

ART. 6. The bonds may be transferred or mortgaged by order or indorsement through any means which the laws of the Republic may establish. Written advice of the transfers and mortgages shall be given to the agent for the purpose of registration.

Neither the Republic nor the fiscal agent shall incur any responsibility if, for the purpose of payment or any other purpose, they abide by the registry as to the ownership or existing liability.

Nothing of the foregoing in this article shall prevent them being indorsed to bearer; and in that case, once the corresponding advice has been received, no other shall be necessary for the successive transfers.

ART. 7. The Public Credit Commission will send the fiscal agent an account of the debts of the Republic, with a statement of what are to be paid in cash and what in bonds. The commission will give to the creditors a receipt or certificate which will have the form indicated in the provisions of this law and will state the amount which is to be paid in bonds. When these have been prepared they will be delivered to the fiscal agent in order that he may give them an exchange for the certificates or receipts issued by the Public Credit Commission. The bonds represented by receipts shall bear interest from January 1, 1918.

ART. 8. The principal and interest of the guaranteed customs bonds shall be paid in this capital. Also they may be paid in other places which the High Commission may designate, provided it does not increase the expense of the Republic, and the bondholder agrees to it.

ART. 9. The expenses for the issuance of the bonds, their inscription and registration, and other expenditures which may be incurred, in conformity with the present law, shall be paid from the debt-service fund.

The fiscal agent shall appoint the employees necessary for carrying on the work to which this law refers; and the amount of their salary, as that of the other employees, shall be determined by Congress and paid from the debt-service fund.

ART. 10. If any creditor of the State who has certificates or receipts to which Article 7 refers, issued by the Public Credit Commission, does not present them for exchange for guaranteed customs bonds, in accordance with the law, the bonds, to which the owners of the certificates or receipts not presented would have a right, shall remain on deposit with the fiscal agent, and any payment of interest or amortization in connection with such bonds shall also remain on deposit with the agent.

The holders of certificates or receipts mentioned in the former paragraph can at any time, before January 1, 1919, exchange their documents for guaranteed customs bonds, to which he shall have the right together with the accumulated interest and amortization of the principal. The holders who do not present their certificates or receipts within the time designated shall lose all right to exchange them for the guaranteed customs bonds, and the bonds which remain unexchanged, the time having expired of which mention has been made, shall be canceled by the fiscal agent, and all sums retained for those bonds shall be applied to the debt-service fund.

Any holder of public credit documents comprised in the plan of settlement who, accepting the decisions of the Public Credit Commission, shall present his documents in exchange for guaranteed customs bonds after January 1, 1918, shall be considered as having abandoned and renounced, in favor of the Republic, any interest whatsoever which may have accrued on the said documents.

ART. 11. The guaranteed customs bonds shall be exempt from all taxes and imposts now established or which may be established in the future in the Republic, including the direct tax on capital. Fiscal stamps or stamped paper shall not be necessary for any documents whatsoever necessary for the settlement of the public debt or required by the present law, or for those which the fiscal agent may require.

The fiscal agent shall not be responsible for the faults or bad conduct of any agent, attorney, bank or banker, named or selected by him in the discharge of his duties, if such agent, attorney, bank or banker shall be chosen with reasonable care; nor for any cause related to his charge, except through his premeditated bad conduct.

The fiscal agent shall have in addition to the rights, faculties, and duties conferred in other forms by this law the following rights, faculties, and duties:

(*a*) He shall receive from time to time all the sums which may be paid him in conformity with this law, and he shall use and apply them in the way authorized by the same.

(*b*) Subjecting himself to the terms of this law, he shall work according to written order of the Minister of Finance of the Republic; and said order, as has been expressed, shall serve as complete protection to the fiscal agent for acts which he may perform in accordance therewith.

(*c*) The fiscal agent shall be responsible only for the funds which may be received by him in cash in the city of Managua from the Republic or for its account.

(*d*) All the representations and provisions contained in this law and in the bonds are made by and in the name of the Republic, and the fiscal agent shall not be responsible in any form whatsoever for the same, nor for any statement contained in them, nor for any act or thing done by him for the reason of any representation whatsoever made by the Republic or by any of its agents or representatives. The fiscal agent shall be protected, if he acts by virtue of whatsoever advice, petition, acquiescence, certificate, bond or any other paper or document which he believes genuine and to be signed by the person or persons in whose name it appears to be signed. He may consult attorneys resident in Nicaragua, and the fiscal agent shall not incur any responsibility through any act which he executes or permits in accordance with the opinion of such attorneys. The fiscal agent shall not incur any responsibility with regard to the validity of the foregoing of said bonds. nor with respect to the authenticity, validity or value of any credit documents whatsoever authorized by the Ministry of Finance or the Public Credit Commission and deposited in his

possession, nor shall he incur any responsibility, excepting as it is expressly provided herein, regarding the disposition of said bonds or the application of the product of the same. The fiscal agent shall not incur responsibility if the Republic or any person or persons mentioned herein do not fulfil or comply with any stipulations, agreements, or dispositions of this law.

Nothing herein contained shall be deemed or construed as creating any obligation, or as conferring any privilege or benefit in favor of any of the holders or owners of any obligations or other evidences of indebtedness of the Republic now outstanding, or any creditor or concessionaire of the Republic, or any person or corporation claiming to be such creditor or concessionaire.

The fiscal agent may, when he deems it proper, dictate the measures which will tend to protect the rights of the bondholders to which this law refers.

ART. 12. The High Commission referred to in this law shall be the same as that established by Article 7 of the financial plan, which was approved November 14 last, the High Commission which shall perform the function of fiscal agent created herein.

ART. 13. The High Commission or fiscal agent, once it has received from the Public Credit Commission the report prescribed in Article 7 of this law, shall issue checks or drafts in favor of the creditors of State for that part which has to be paid in cash, and shall deliver to them bonds in exchange for the certificates or receipts which the article mentioned indicates. Moreover the High Commission shall have the other powers which are granted to it in the provisions of this law.

ART. 14. The payment of the fund of amortization on the principal of the guaranteed customs funds, provided in Article 1, shall be made in the following manner: The number of the bonds corresponding to the sum which constitutes the debt-service fund to be disposed on the dates given in Article 3 for the purchase or redemption of the bonds shall be determined by drawing lots within the month following the first of January and the first of July of each year. All the drawings shall be made by the fiscal agent in the presence of the treasurer general of the Republic and of the president of the tribunal of accounts or of representatives appointed by them, and of one witness of good standing whom the fiscal agent shall select. The numbers of the guaranteed customs bonds selected in the drawing shall be published in *La Gaceta* and the interest on any bonds, so selected in the drawing for their purchase or redemption, shall cease to be paid on such bonds from the respective dates of January 1 and July 1, on whichever date the drawing may have been made. Within the month following the date on which the drawing had been made, the fiscal agent shall place to the order of the owners inscribed on the bonds, which may have been selected in the drawing, the amount of the principal of said bonds.

ART. 15. The Executive Power is authorized to prescribe the regulations which he may judge necessary to carry this law into effect.

ART. 16. The law of November 11, 1913, and all the other laws and decrees which are contrary to the provisions of this law are hereby repealed, and this law shall become effective upon its publication.

Done in the Hall of Sessions of the Senate Chamber, Managua, December 7, 1917.—VICENTE ROMÁN, S. P.—SEBASTIÁN URIZA, S. S.—M. CALDERA MIRANDA, S. S.

To the Executive Power, Chamber of Deputies, Managua, December 10, 1917.—RAMÓN CASTILLO, C., D. P., GABRIEL RIVAS H, D. S.—FERNANDO IG. MARTÍNEZ, D. S.

Therefore, let it be executed.—President's House, Managua, December 14, 1917.—EMILIANO CHAMORRO.—The Minister of Finance.—OCTAVIANO CÉSAR.

File No. 817.51/1083

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

[Telegram]

WASHINGTON, *January 31, 1918, 4 p. m.*

Your January 21, 4 p. m. Is there any other way in which Government of Nicaragua could pay 1917 budget deficit? Department

would not feel justified in sanctioning approval of payments for this deficit until further information is received. Nevertheless, it would appear advisable in all events that High Commission should decide upon these payments in same way as other payments. Inform Department by cable if full report upon labors of Public Credit Commission has been mailed and if so, when it should reach Department. Department concurs with you in belief that payment should begin as soon as possible but desires to have complete information in regard to awards of commission and scaling of debt.

Upon receipt of your reply to this cable Department will answer you in regard to the proposed note to the Minister of Foreign Affairs.

LANSING

File No. 417.00/242

The Commissioner on Public Credit (Lindberg) to the Secretary of State

MANAGUA, *February 4, 1918.*

SIR: I have the honor to submit herewith a copy of a joint report presented by the Commission on Public Credit to the Minister of Foreign Affairs, under date of November 20, 1917, to be included in his annual report.

The Exhibit "B" referred to is omitted as it corresponds to Exhibit "A" in my interim report No. 1 sent to the Department under date of June 18, 1917. The list of fundamental principles, herewith annexed, is an amplification of the subject matter under "Problems and Purpose of the Commission," pages 2–3, paragraphs 1–11, in interim report No. 1.

I could never persuade the Minister of Finance to officially sign these for the records of the commission (prepared August 16, 1917) as he did not agree, until very recently, to the elimination of all accrued and unpaid interest on every class of obligation. As this was the foundation stone of my work, all the other awards on many classes of claims hinged directly on its uniform application.

Very respectfully,

A. F. LINDBERG
Commissioner

[Enclosure 1]

Fundamental principles enunciated as the bases of awards of the Commission

The following fundamental principles are hereby promulgated and enunciated as the bases of judgment of the Commission in the making of awards.

The awards of the commission are made on the following bases:

(1) Law and equity.
(2) Financial condition of the Government.
(3) Presentation of facts.
(4) Equal treatment of foreigners and Nicaraguans.
(5) Friendly agreements with creditors wherever possible. Holders of good credits will be urged to make concessions to the Government; holders of doubtful and excessive or exaggerated credits will have their claims scaled by the commission.
(6) Foreigners cannot appeal to diplomatic channels in the settlement of their debts, demands or claims, unless there is denial of justice, as provided by Articles 13, 14 and 15 of Chapter VI of the Constitution of Nicaragua.

(7) No part of the true, legitimate and acknowledged debt of the Republic will be repudiated. Holders of credits who are not satisfied with the awards of the commission may accept or decline the award as they see fit. However, in this connection the two following points are emphasized:

(*a*) The rulings of the commission will undoubtedly serve as precedent for future action on or consideration of any outstanding debt, and
(*b*) The statute of limitations can be applied to public debt obligations as well as to private obligations.

(8) A negotiable document of public credit does not gather additional value or strength through the transfer of title; that is, by sale, assignment, pledge, gift or devise. There are two exceptions to this rule of which the commission may take cognizance, if the circumstances of the case and financial condition of the Public Treasury so permit:

(*a*) In case of the innocent purchaser of Government documents for value.
(*b*) In cases of involuntary bankruptcy where less than 50 per cent is paid on the proven claims of general or unsecured creditors.

(9) The maximum interest rate on any class of debt, demand, or claim, in case any interest be allowed, shall not exceed six (6%) per cent per annum, simple interest.

(10) That no capitalization of interest, at any rate, will be recognized. To eliminate entirely or reduce materially the accrued and unpaid interest on all obligations.

(11) That no interest will be allowed on merchandise accounts, war claims of any kind, claims arising from the cancelation of concessions, or any similar claims which at present do not include the obligation to pay interest.

(12) That in the exchange of non-interest-bearing documents for interest-bearing bonds, the commission will make substantial reductions, based on future interest payments for account of such refunded obligations.

(13) Certain credits will be preferred, but only in the proportion of cash and bonds. No claims except death claims (violent deaths) will be paid wholly in cash. Otherwise all claims will be settled at the same time, with the possible exception that amounts less than $200 may be handled in a special way, depending on the lowest denomination of the refunding bond to be issued in part settlement of the internal debt.

(14) Cognizance will also be taken of payments on account in awards pertaining especially to war claims and war exactions.

(15) Judgments of the Mixed Claims Commission in the hands of the original claimants or direct heirs, will not be scaled except by voluntary and friendly agreements with the original claimants.

(16) Speculators in Government documents will be forced to accept the purchase price of their certificates of indebtedness.

(17) Budget obligations such as salary and wage rolls, if incurred and payable between September 1 and December 31, 1916, will not be scaled, if in the hands of original holders, unless by voluntary agreements.

(18) All obligations where creditors have not complied with laws and fiscal regulations in order to secure the Government's acknowledgment of their indebtedness, or whose claims are outlawed by the statute of limitations, will be canceled. The commission will take into consideration the fact that creditors shall not lose their rights through ignorance, carelessness or malice on the part of Government officials, nor where the creditor was justified in believing in the right and authority of the Government official to bind the Government in a contractual obligation.

(19) To follow the principle of set-off when a creditor is also a debtor of the Government.

(20) That all transactions affecting cash loans to the Government, as well as transactions in terms of foreign moneys, be valued with due consideration of the official rate of exchange, eliminating heavy profits in exchange, the Government as a rule being the sufferer in exchange transactions.

[Prepared for signature at Managua, August 16, 1917, but never signed.]

91114°—30——60

[Enclosure 2—Extract]

The Commission on Public Credit to the Nicaraguan Minister of Foreign Affairs (Urtecho)

MANAGUA, *November 20, 1917.*

SIR: In accordance with your verbal request the Commission of Public Credit has the honor to present herewith a preliminary report of its activities to date. As the commission is still in session no detailed schedules of figures are presented.

ORIGIN OF THE COMMISSION

Although the idea of the consolidation or refunding of the debt is not new, the project of the creation of a commission for this purpose received encouragement and impetus from the President in his inaugural message.

> Another matter of vital importance is the economic, with especial reference to the public debt.
>
> After an exhaustive and well considered study, and looking towards the settlement of a question which affects so profoundly the Republic, I have had in mind the idea of creating a commission, organized in such form as Congress may deem proper, which commission will make a careful examination into the circumstances relative to claims presented against the Government.
>
> The work of this commission, in case the idea be accepted, should be finished before the high contracting parties, under the canal treaty, come to an agreement as to the disposition of the money available from these funds.
>
> It is my desire to formulate a plan which will be mutually advantageous to all interested, and also to obtain a solid foundation on which to liquidate the entire debt of the country, and thus put the Government on a solid economic footing.

January 23, 1917. A bill was presented to Congress in session.
February 14, 1917. Enacted into law.
March 14, 1917. The commission was installed.
March 22, 1917. The first printed circular to creditors was distributed.
April 27, 1917. Regulations approved.
May 28, 1917. Second circular to creditors.
June 11, 1917. The existence of the commission was extended to September 14.
September 12, 1917. The existence of the commission was further extended to December 31, 1917 or such time as might be necessary.
Copies of the laws, decrees, and circulars are shown in the appendix.[1]

ORGANIZATION

Mr. Martin Benard, Minister of Finance, was chosen as president of the commission and Mr. A. F. Lindberg, Deputy Collector General and Auditor of the Customs Service, was appointed as the other commissioner in accord with the Department of State of the United States, and Mr. Alberto Zelaya, Secretary. . . .

The staff of the commission consisted at the time of installation of one clerk, one typewriter operator and an office boy, later increased by four bookkeepers as the claims began to accumulate.

PROCEDURE, REGISTRATION AND CLASSIFICATION

The number of claims presented to this date is 3,069. Amount claimed as principal is $11,093,148.17. Accrued interest to December 31, 1916, is $1,559,297.65. Total amount claimed, including principal and interest at December 31, 1916, is $12,652,445.82. Included in this total are duplicate claims to the amount of $461,690.15. The number of claimants is naturally greater, as many claims are presented by one person as agent or with power of attorney. Probably 5,000 claimants are represented in these claims. As soon as a claim or statement of credit is received it is dated, given a claim number, and a postal card advice is sent to the creditor advising him of the receipt of the claim and giving him the claim number. He is also given a signature card to

[1] Not printed.

fill out which will facilitate the payment to the proper person and is a protection both to the Government and to the creditor.

The claim is then examined to see if all the data required by the circulars is included. If not, the claimant is written to for the necessary information. Copies of the above forms are shown in the appendix.[1]

The claim was then registered, first as to principal, interest and total, to develop general totals and especially to know the amount of accrued interest claimed, which was appalling.

As soon as the staff was increased the classification of the claim was made (see No. 9 in appendix[1]). This is one of the important phases of the work, and serves as a basis for administrative judgment by the commission. After the classification, the issuance of notes, certifications, etc., is verified with the stubs, as to number, date, amount, and name of payee. The awards of the Mixed Claims Commission were also verified with the original records.

Publicity

Another important feature of the work of the commission was to give publicity to all creditors, foreign and native, of the circulars of the commission. In addition to publication in the *Official Gazette*, in the newspapers, and sending batches of circulars to administrative officials for distribution and posting, circulars were mailed direct to foreign correspondents, and to each individual creditor, excepting holders of Mixed Claims judgments.

The object of this was to get the listing and closest registration possible of the debt, and to reduce clerical labor and correspondence.

Due to the three years' existence of the Mixed Claims Commission it was thought that a public announcement of the requirements of the commission would be sufficient. However, it was found in a final revision that Mixed Claims judgments of 1,354 persons and amounting to $280,479.94 had not been presented. Circulars have therefore been sent to the address of each and every one who had not sent in his claim.

Special effort was also made to secure the presentation of all unpaid budgetary obligations and a circular was sent to all governors and treasurers to notify creditors and to post the notice.

Governors, Treasurers and Subtreasurers:

For information of the public, I take pleasure in transmitting the following ruling of the Commission on Public Credit.

BUDGET OBLIGATIONS

The data of all budget obligations incurred and payable prior to December 31, 1916, should be sent to the Commission on Public Credit. This cancels the exception which was made in the first circular to creditors of March 22 in the last paragraph before the note. Acknowledge receipt.[2]

No attempt to advertise in foreign newspapers was made, principally because the budget allowance for the commission was limited and reliance was placed on foreign and Nicaraguan consuls to advise foreigners as well as banks and agents residing in Nicaragua.

Credit is due the local press without exception, not only for publishing the printed matter of the commission without charge, but also for supporting the work of the commission.

General Principles of the Commission

In view of the necessities of the situation every creditor was impressed with the idea that if his credit was a good one, for cash loaned, for merchandise sold or services rendered, that the commission would ask him to voluntarily rebate; if his credit was not of this kind the revision would be done by the commission. The response made was extremely gratifying as practically all creditors in large sums offered some concessions, either in reduction of principal, waiving of interest or reduction in interest. A list of these creditors is given in Exhibit "B."[1] From this point of view alone the commission has accomplished its object and saved for the Republic hundreds of thousands of dollars. Friendly agreements with creditors have been sought for as far as possible, but without losing sight of the fact that the debt as revised should not exceed

[1] Not printed.

[2] See *Official Gazette*, No. 131, June 18, 1917.

a certain limit. At this writing the commission hopes that the debt can be consolidated and refunded on a basis of not more than $5,500,000 or approximately $1,500,000 in cash and an authorization for $4,000,000 worth of bonds.

No advantage has been taken of legal technicalities to refuse to receive or register a claim, through lack of presentation within the time limit prescribed by the commission. An extension of 14 days, to August 14, for claims from the interior and west coast was given. Since that date about 500 claims have been received, registered, classified and awards made.

No creditor has been refused a hearing, although it can be readily understood that with the large number of creditors living abroad or in towns in Nicaragua remote from the capital it would be impossible for every creditor to appear personally or even in the person of an agent or attorney.

Claims of Foreigners

Numerous conferences and interviews have been held with Honorable B. L. Jefferson, American Minister to Nicaragua, Honorable Charles Alban Young, British Minister to Central America, Baron d'Avril, French Minister to Central America, Dr. David Campari, Italian Consul General to Nicaragua, and Mr. Vicente Rodriguez, Spanish Consul General to Nicaragua. All of these gentlemen have ably and always in a friendly way advocated the interests of their nationals, at the same time recognizing the necessities of the situation.

Several meetings with creditors have been held both in Managua and Granada, when the general situation as well as certain classes of credits were discussed.

German Claims

The commission as yet has come to no decision with reference to claims of German subjects due to the status of affairs between Nicaragua and Germany. As far as is known all German subjects have presented a statement of their credits, but each and every one, as well as the Swiss, have protested against Articles 2 and 3 of the law creating the commission.[1] In the settlement of foreign claims, particularly war claims, the commission has always borne in mind treaty rights and obligations between Nicaragua and foreign countries. . . .

General Considerations about the Debt Consolidation

As to the advantages of consolidating the internal debt, the commission has faith and enthusiasm in the results of its work. For Nicaragua a floating debt of this size, divided approximately 57 per cent held by natives and 43 per cent held by foreigners, not only has its serious economic effects and possibility of international complications, but is a political menace. Its settlement will stabilize business transactions, help Nicaragua's credit at home and abroad, put the creditors in a stronger position as bondholders than as document holders, and every bondholder will have more of an interest in the financial affairs of the Government. The creditor who receives his interest or amortization promptly is going to pay his taxes and other Government charges with less resistance or disinclination.

There has been some discussion on the part of creditors that Nicaragua is repudiating its debt. One of the fundamental principles enunciated by the commission is the following:

> No part of the true, legitimate and acknowledged debt of the Republic will be repudiated.

For those who have this idea in mind the following considerations should be borne in mind:

(1) That the will of the majority will govern;
(2) That many credits which bear no interest, are of comparatively recent origin and have no special security, are now converted into interest-bearing bonds, and with special security; also that an excessive issue of bonds will affect their value;
(3) That Congress which approved payments considered as acts of grace can also repeal them;

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[1] *Foreign Relations*, 1917, p. 1119.

(4) That Congress, in order to provide funds for the settlement of the debt as desired by claimants, could impose additional direct taxation which might prove more costly to the claimant than his acceptance of a scaling in his credit.

A great deal might be written as to the general origin of the debt, and surrounding incidents. However, the commission is confronted with an existing situation, and its object is not to locate responsibility as to why, when and how the debt has been incurred, but to revise and consolidate it. A large debt was inherited from the Zelaya régime, increased during the Conservative régime by the issue of several millions of national bills and by the Mena revolution, and all this, together with a budget deficit of $400,000, was inherited by the present administration.

An economical administration with reference to expenses and a careful collection of all Government revenues will preserve the equilibrium of the budget, and the natural resources of the country and its recuperative powers will have its effect on Government revenues so that the internal debt can be amortized rapidly. The effect of the distribution of $1,500,000 will no doubt be very beneficial in every way to creditors as well as its complementary effect on Government revenues.

The commission wishes to acknowledge the cordial support received by the First Magistrate of the Nation and his Cabinet, and ex-President Diaz.

Particular mention is made of the cooperation of Mr. Camilo Barcenas, Treasurer General, as well as Mr. F. E. Martinez, President of the Tribunal of Accounts. Legal opinions which the commission wishes to acknowledge with thanks have been received from Dr. Manuel Pasos, Judge of the Supreme Court, Dr. Carlos Cuadra Pasos, formerly member of the Mixed Claims Commission, and Dr. Maximo H. Zepeda, Member of the House of Deputies.

The Ministry of Foreign Affairs has acted as the means of communication of and for the distribution of the printed matter of the commission to foreign ministers and consuls in Nicaragua, as well as to Nicaraguan ministers and consuls in foreign countries.

The commission has the honor to remain with assurances of its esteem and consideration,

Respectfully.

OCTAVIANO CÉSAR
President

A. F. LINDBERG
Commissioner

File No. 817.51/1088

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

[Telegram—Extract]

MANAGUA, *February 7, 1918, 3 p. m.*

Department's telegram January 31, 4 p. m. In regard to budget deficit, it might be possible to use railroad dividends referred to in my December 26, 10 a. m.,[1] or balance of customs revenues pertaining to last half of November and December 1917. Nicaraguan Government seems willing for High Commission to supervise payment of this deficit.

Preliminary report of Public Credit Commission to Foreign Office will be forwarded by next pouch, probably reaching the Department before the end of this month. This report does not give figures and details of each and every claim.

In addition to data already sent, a full and complete confidential report by Lindberg continues in preparation and will be very detailed in comments and figures and will be rendered to the Department after

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[1] Not printed.

the payments have been made following precedent of Mixed Claims Commission.

The commission has made all awards with the exception of pending claims of Augustin Chamorro for $288,000 and of Salvador Castrillo for $9,000.

The following is condensed information about payment of certain claims:

> French diplomas [diplomatic?] (Brimont) scaled 50 per cent, 75 per cent in cash and 25 per cent bonds; Dutch diplomas [diplomatic?] (Howitzerseck) scaled 60 per cent, 15 per cent cash and 85 per cent bonds; Italian diplomas [diplomatic?] (D'Auria) scaled 50 per cent, 50 per cent cash and 50 per cent bonds; claim of Widow Urry, death of English husband, scaled from $12,500 to $10,000, to be paid all in cash same as Cannon and Groce; claims of Cuadra family, Salvador Chamorro, and Diego Chamorro for exactions in times of Zelaya on following basis: cut out interest, scaled 20 per cent from principal, paid 50 per cent cash and 50 [per cent?] bonds; claim of Adolfo Díaz, cut out interest including large amount of 1913 bonds, 20 per cent from principal, and balance 50 per cent cash and 50 per cent bonds and also cut out Aromburu notes aggregating $128,525; claim of Amsinck & Co. cut to $224,284.67; Weinberger Bros. to receive nothing; Mutual Alliance Trust Co. claim, sent by Department, all in cash; American Investment Corp. claim cut to $8,576.40.

Following amounts by nationalities represent total claimed and total awarded.[1] . . .

JEFFERSON

File No. 417.00/243

The Commissioner on Public Credit (Lindberg) to the Secretary of State

MANAGUA, *February 9, 1918.*

INTERIM REPORT NO. 3

SIR: I have the honor to submit herewith some data furnished to the American Minister in connection with a cable request for information.

No. of claims presented	3,808	
No. of claimants (estimated)	5,200	
Amount claimed, principal		$11,505,069.92
" " interest		1,566,279.13
Total amount claimed		$13,071,349.05
Add Mixed Claims judgments not presented		117,244.11
		$13,188,593.16
Less claims duplicated		539,036.55
		$12,649,556.61

[1] Not printed here. See following report of February 9, 1918, of Commissioner Lindberg.

The following information is given in reference to certain diplomatic claims:

French diplomatic claim (Brimont)—scaled 50 per cent, 75 per cent in cash and 25 per cent in bonds.
Dutch diplomatic claim (Hueck)—scaled 60 per cent, 15 per cent in cash and 85 per cent in bonds.
Italian diplomatic claim (D'Auria)—scaled 50 per cent, 50 per cent cash and 50 per cent bonds.
Widow Urry, death of English husband, scaled from $12,500 to $10,000, to be paid all in cash, same as Cannon and Groce.

The following three claims settled directly by the Executive in March 1911, were made the subject of friendly agreements.

Claims of Cuadra family, Salvador Chamorro and Diego Manuel Chamorro for exactions in time of Zelaya on following basis, cut out interest, scale 20 per cent from principal, 50 per cent in cash and 50 per cent bonds.
Claim of Adolfo Diaz, cut out interest including large amount of 1913 bonds, 20 per cent from principal, and balance 50 per cent cash and 50 per cent bonds; also cut out Aramburu notes aggregating $128,525.
Mutual Alliance Trust Co. All in cash.

The figures by nationalities are approximate, but substantially correct. In many cases the commission, lacking the statement of the creditor, can only guess at his nationality. All of the names included in correspondence sent to the Department by foreign embassies or legations are included. The Swiss claims are shown under Germans as their matters were handled in the past by the German Minister.

By Nationalities	Total Claimed	Total Awarded
Americans	$3,198,105.92	$658,423.98
Italians	886,735.81	515,157.77
Germans	736,763.39	261,614.71
British	780,299.75	291,526.58
French	95,123.12	34,285.45
Spanish	45,604.57	11,465.05
Dutch	130,467.18	52,812.58

There is appended hereto (Exhibit "A") a statement of the claims of $100,000 and over.[1] Percentage figures between amounts claimed and awarded cannot be used with safety, as the large claims include many classes of Government debt, as well as huge sums of interest charged.

Flat percentages in the revision downwards have been used in some cases. These large claims have been thoroughly analyzed, followed by hearings, and generally friendly agreements made. This feature has been emphasized in order to avoid charge of repudiation, especially among foreigners.

The figures of foreign war claims have been in most cases discussed and settled by conferences with the foreign diplomats or consuls.

[1] Not printed.

The easy method of a flat percentage has not been followed, but each individual case studied and settled on its merits.

Very respectfully,

A. F. LINDBERG
Commissioner

File No. 417.00/240

The Acting Secretary of State to the Minister in Nicaragua (Jefferson)

[Telegram]

WASHINGTON, *March 6, 1918, 4 p. m.*

Your February 7, 3 p. m. Lindberg's reports of February 4 and February 9 just received.

Cable Department list of American creditors and names of those to whom awards have been made; also amounts of awards. Are these claimants ready to accept awards and waive all further rights against Nicaragua? Have they already done so; if not, is it planned that they sign waivers upon payment of awards? If waiver has been prepared, cable text as well as text of receipt.

Also cable brief report on American claims rejected and grounds for rejection.

POLK

File No. 417.00/244

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

[Telegram]

MANAGUA, *March 11, 1918, 4 p. m.*

Department's March 6, 4 p. m. Friendly agreements have been made with practically all creditors over $100,000 and many under this amount, when the character and origin of the credit was such as to merit such arrangement. In the other cases commission has served notice and claimant can accept or reject. Procedure similar to that used in bankruptcy cases in the United States has been followed, although much investigation and analysis back of the document of credit and its supporting proofs have been made.

No claimant will receive cash or bonds or both without signing combined receipt and release form marked No. 12 in Lindberg's report of February 4.[1] Following is translation of text:

Receipt. I hereby solemnly declare that on my claim or credit presented to the Commission on Public Documents against the Government of the Republic of Nicaragua there has been received in cash ———, in bonds ———; I declare moreover that I irrevocably renounce for myself and my successors any claim directly, or indirectly on the validity of this payment or its amount, for whatever difference or right I may have, it is understood that I wish to cede it in favor of the State.

With the delivery of the documents to the High Commission and their indorsement, the indorsements on checks or drafts which refer to the claim number, the use of signature cards, and finally require-

[1] Not printed.

ment to sign receipt and release form, we believe both Government [of] Nicaragua and creditors are protected.

The commission estimates that 60 per cent of the creditors will accept awards at once, 30 per cent may wait six months or year to secure if Government pays interest and amount, and 10 per cent will perhaps never accept. With reference to judgment of Mixed Claims Commission,[1] in the interest of Americans not included in this list who are original claimants or direct heirs thereof, the commission does not touch amounts of award and hopes to pay 15 per cent cash and 85 per cent bonds, excepting all claims under $100 to be paid in cash. It should be noted that many American claimants have had part of their claims entirely disallowed either by friendly agreements or by the commission without consultation with creditor. The bulk of the claims before the commission is recognized debt of the Republic and not unproven claims and the commission has used drastic measures to reduce it to an amount the Republic can handle. Some American claimants hold documents of Nicaraguans as collateral such as in case of Amsinck and Co.

[Here follow the claims of American citizens with the amounts awarded.]

Following are the claims of American citizens rejected:

J. Adler: Duplicated in claim of Stern Foundry & Machinery Co.

W. R. Burt: Is external debt.

New Orleans National Bank: Accommodation paper of New Orleans and Central American Shipbuilding Co. No consideration in contract with Government. Commission holder notes of Beer, manager of company.

Pacific Mail Steamship Co.: Principal and accrued interest on unpaid subvention. Company has not billed Government bonds freight and fares according to contract and also receives other compensatory advantages from the Republic.

Weinberger Bros.: One concession and equity doubtful. Should have been presented to Mixed Claims Commission even if part of notes were not then due.

Jacob Weinberger: Credit includes accrued interest; *bona-fide* part of document taken up in award to Central American Commercial Co. of which he is manager. Some supporting documents of doubtful origin.

JEFFERSON

File No. 417.00/246

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

[Telegram]

MANAGUA, *March 21, 1918, 3 p. m.*

I have been urged by the High Commission and many creditors who have accepted awards of the Public Credit Commission to request the Department to authorize as early as possible the High Commission to begin payments of awards.

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[1] For institution of Mixed Claims Commission see *Foreign Relations*, 1911, p. 625.

The High Commission cabled Nicaraguan Chargé d'Affaires Enriquez with reference to this matter.

It is my opinion that payments should begin as soon as possible as it will relieve the economic situation here.

JEFFERSON

File No. 417.00/245

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

[Telegram]

WASHINGTON, *March 21, 1918, 5 p. m.*

Your telegram March 11, 4 p. m. Please telegraph:

1. Whether each claim you report as rejected was considered by commission on its merits in accordance with principles laid down in enclosure to Mr. Lindberg's report to Department dated February 4, 1918.
2. If so, telegraph fully explanation of grounds assigned for rejecting each claim.
3. If not, telegraph fully reasons for rejecting each claim without such consideration.

Include in telegram concise statement of total amount cash and bonds allotted on all claims and total amount cash and bonds available for payment of awards.

Supplement telegraphic report by mailing copies of opinions or declarations made by commission with respect to each rejected claim.

Department intends examining rejected claims with view to considering whether action of commission justified. If it finds rejection unjust, Department will urgently request reconsideration by commission if commission remains legally in existence. If commission is no longer in existence, Department will determine what, if anything, would be fair compensation in cases of rejected claims and will insist that compensation, according to Department's conclusions, be included in prorating funds and bonds available for payment of claims.

Reason for Department's action in requesting above information is that attorney for Weinberger interests has filed letter with Department asking if Department will take up claims rejected by commission through diplomatic channels.

Department wishes to avoid any unnecessary embarrassment both for Government of United States and for Government of Nicaragua and therefore wishes to proceed along lines set forth.

You may inform General Chamorro that delay has been caused on account of wishes of United States Government that there be no unnecessary and possibly embarrassing matters left for decision at a later time, and that whole matter of claims may be closed up finally once for all.

You may also inform him that the Nicaraguan Chargé d'Affaires has been continually pressing this Government for early payment.

Department cannot consent to immediate distribution cash unless sufficient surplus remains to settle rejected claims if Department finally concludes that they should be paid in whole or in part.

LANSING

File No. 417.00/248

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

[Telegram]

MANAGUA, *March 26, 1918, 2 p. m.*

Replying to the Department's March 21, 5 p. m. The following reasons are given by the commission for each rejected claim, all of which appear to have had due consideration:

J. Adler duplicated in claim of Stern Foundry & Machinery Co. which had been awarded $2,500.

W. R. Burt *ex-officio* claim based on letter to State Department. On investigation found to be external debt which was arranged at the time of Ethelburga settlement and with Brown Bros. in 1912. Pertains to New Orleans loan of 1904, and according to advice from Brown Bros. has received payment on bonds matured.

New Orleans National Bank, New Orleans, and Central American Trading Co. on the verge of bankruptcy in 1911 and, alleging moral and material support to revolution, persuaded Government to make accommodation paper for $90,000 in return for Manager A. V. Beer's notes aggregating $100,000, both accommodation signatures. Beer also agreed to execute mortgage in favor of Government on store building and contents, which was not done. Commission has these notes of Beer. There was no legal consideration to contract and both parties understood it as only paper transaction. Afterwards company had fire and went into bankruptcy. Is improbable present holders gave value for documents or are ignorant of incidents concerning their origin and acquisition by Beer. When issued in November 1911 Government did not even set up debit and credit transactions on its books.

Pacific Mail Steamship Co. only American steamship line on West Coast for several years and no competition, therefore, could obtain subvention from Government. Contract of 1902 provides for annual payment of $9,000 silver in quarterly installments but contract practically lapsed through action of both parties. Company broke contract through failure to grant contract rates on Government fares and cargo, did not live up to provisions of providing regular service. Government did not pay its subvention. Exemption of port dues on behalf of this Government and mail service on the part of company about equal. In addition, the Government has erected modern and expensive lighthouses at Corinto and San Juan del Sur, and by facilitating receiving and clearing of company's ships has materially reduced cost of operation in Nicaraguan ports. Other steamship companies performed same service and received no subvention. Provisions of contract call for arbitration, but no demand made by company. Company did not answer letter of commission.

Weinberger Bros.

(*a*) Prescription. These documents of credit which are not on books of the Government, a fact suspicious in itself, had in part matured in time for Mixed Claims Commission. If owners had confidence in their validity, would have presented them. A favorable decision of commission on early notes would probably have validated

later ones. Solomon and Weinberger cannot claim either ignorance or carelessness.

(*b*) Claims are solely from onerous concessions. All concessions of this sort held by these claimants canceled by Mixed Claims Commission. This is one of a series of transaction in which Zelaya, Irias, Solomon, and the Weinbergers participated. The latter two exploiting concessionaries. It has required two commissions to arrange these matters: the Mixed Claims Commission on the ice and purchasing agency concessions, and the present commission to squeeze the water out of the claims recognized by the Republic in Zelaya régime.

(*c*) The only property involved, wharf at Bluefields, according to trustworthy official information in hand, already amply paid for to Solomon. Lindberg has personal knowledge of property.

(*d*) No proof offered that Weinberger gave value to Solomon for documents. Presumption is to contrary.

(*e*) The commission is unanimous in its assertion that this claim is one of the weakest, both from view of legality and equity, that has come to its notice. No other claims have so discredited Americans in eyes of just men.

(*f*) Another creditor in Managua, one of the ablest and best posted Nicaraguan creditors holding similar documents with exactly same printed conditions, was so convinced of their fraudulent nature that he did not even present them among his other claims.

(*g*) Claims fully examined by all three members of the commission. Opinion is unanimous against it.

Jacob Weinberger. The transaction of the Central American Commercial Co., Jacob Weinberger and Mr. Gutierrez Peña, both the latter having been managers, are so interwoven that the commission included any possible equity in this claim in its award to the company which has been accepted verbally by Peña, leaving the two managers to settle their equities among themselves. The company did make cash loans to Government and also included a lot of documents which were not cash, not forgetting always to take a profit on exchange.

American Investment Corp. Although this claim was not rejected *in toto*, reduction is so great as to produce the same effect. Prescription per law on presentation of customs bonds followed as case was adjudicated by the Government in 1913 and commission has followed rule of not reopening such cases. Absence of reliable proof that value was really given in exchange for these bonds as required by rules of commission. Amount of award only demonstrating enough to secure delivery of documents, if possible, or if refused, to form basis of proper legal proceedings by the Nicaraguan Government to get amount of award. Balance of documents acquired through misuse of position of president—graft from foreigners in their enterprises and control over Government fiscal operations.

The commission is in existence but is not accepting new claims. Its work is so dovetailed with the High Commission that not until payments are finished will it cease its functions.

Total amount of awards of the commission is as follows: cash $1,426,696.79; bonds $3,800,000; total, $5,226,696.79.

Amount of cash available: customs revenues, in the hands of Collector General of Customs $1,092,695.96; funds in the United States as per advices from financial agent $334,000.83; total cash $1,426,696.79.

Authorization by Congress for the issue of guaranteed customs bonds in an amount not to exceed $4,000,000.

Customs revenues on hand with Collector General of Customs pertaining to last half November and December 1917, $66,992.94.

General Chamorro upon learning that payment could not be made at once by the commission showed great disappointment and informed me that he had formed the commission at the request of the Department for the purpose of settling all claims and that he hoped that the Department would insist upon all accepting the awards of the commission, thereby avoiding any unnecessary embarrassment for the Government of the United States as well as for himself.

JEFFERSON

File No. 417.00/253

The Commissioner on Public Credit (Lindberg) to the Secretary of State

MANAGUA, *April 2, 1918.*

INTERIM REPORT NO. 4

SIR: In reply to a recent cable sent to the American Minister I have the honor to transmit to you herewith three copies of the certified awards in connection with six American claims disallowed *in toto* and one disallowed in part, with the reasons therefor shown in detail.[1]

The commission has given as much or more study to the rejected claims than to others, not only in accord with the principles enunciated but many other incidents, which it is deemed inadvisable to incorporate in its public records, for reasons which can be understood.

The rules of prescription were not detailed in the report of February 4, but the four followed in general were those in reference to Mixed Claims Commission, war claims of 1912, customs bonds, and general prescription of legal rights left dormant or unexercised for a considerable length of time.

The commission is in existence but it is not accepting new claims. Its work is so dovetailed with the High Commission that not until payments are finished will it cease its functions.

Attention is invited to the fact that the commission, due to shortness of time, to lack of office personnel and appropriations, and that the bulk of investigation and work of analysis has fallen upon and had to be assumed by one member, did not permit of preparing long legal opinions, findings and statements of facts in each individual claim, but every decision made after study and application of rules.

The only reason for the probable success of its work is loss of hope on part of creditors and the extraordinary receipt of canal funds. The commission has relied upon and expects the support of the Nica-

[1] Not printed here. See telegram of March 26, 1918, 2 p. m., from the Minister in Nicaragua, *ante*, p. 843.

raguan Government in scaling claims of natives and of the United States Department of State in scaling claims of Americans and the foreigners. The law creating the commission gives it the authority to judge and fix the internal debt, and this fact together with the incidents surrounding its creation not only has inspired confidence in it among foreigners and natives but its awards will have great weight not only in the executive branch of the Government but also in the courts, and the minority creditor who does not come in is bolstering himself up with false hopes for an uncertain future. No tribunal or commission, no matter how strong or powerful, can compel the recalcitrant creditor to accept unless he so desires. Awards have not been officially sent to creditors due to uncertainty as to amount of cash available.

Furthermore, the commission has made friendly agreements with creditors which are binding and is loath to reconsider any award except under the most urgent circumstances, amounting to denial of justice. Confident none such can be found.

The total amount of awards of the commission are as follows:

In cash	$1,426,696.79
In bonds	3,800,000.00
Total	$5,226,696.79
Amount of cash available:	
Customs revenues in hands of Collector General of Customs	$1,092,695.96
Funds in United States as per advices from financial agent	334,000.83
Total cash	$1,426,696.79
Authorization by Congress for the issue of guaranteed customs bonds in an amount not to exceed	$4,000,000.00
Customs revenues on hand with Collector General of Customs pertaining to last half November and December, 1917	$66,992.94

In the amount of bonds awarded is a small amount set aside for contingencies, concerning which you were advised by cable.

The following is a copy of a cable, signed by all three members of the High Commission, sent to the Nicaraguan financial agent, to be presented to the State Department:

The High Commission unanimously request the State Department to authorize them to begin payment of awards of Commission on Public Credit. The wait is causing discontent, interest is creeping up and agricultural operations are suffering from lack of funds. If budget deficit is delaying matters, why not interpret plan to begin functioning January 1, thus leaving available the balance of customs revenues of November and December, such budget deficit to be expended under rigid examination by High Commission. If any foreign diplomatic claim or others are delaying matters, commission will set aside small reserve enough for contingencies. Mere fact of beginning payments will exert favorable influence on a few strong creditors who have ideas of holding out.

CÉSAR
LINDBERG
JENKS

Respectfully submitted,

A. F. LINDBERG
Commissioner

File No. 417.00/248

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

[Telegram]

WASHINGTON, *April 3, 1918, 4 p. m.*

In view of explanation contained in your telegram March 26, 2 p. m., Department disposed to consent to immediate payment of awards, reserving for later consideration cases of claims rejected by commission and awards rejected by claimants, as well as any other matters which may arise out of the fact that the Mixed Claims Commission and Public Credit Commission are regarded as purely local tribunals of Nicaragua.

Department cannot understand the statement contained in your cablegram January 21, 11 a. m., "Claimants who have not presented data as to their judgments have been protected and reserve set aside," in view of statement in your March 26, 2 p. m., "Total amount of awards of the commission is as follows: Cash $1,426,696.79," and statement that total available cash is the same figure. The consent of the Department to immediate payment of awards is of course contingent upon accuracy of statement referred to above in regard to setting aside of a reserve fund to protect claimants who have not presented data. If this reserve fund has been set aside, Lindberg is authorized to proceed with the payments. So inform Government of Nicaragua.

Claim on account of death of Groce was settled diplomatically by this Government with the Nicaraguan Government and payment should be made to the Legation. According to Department's records Legation advanced $5,625.10 to Mrs. Groce to January 31, 1918. Deduct amount mentioned plus amount advanced since January 31 from proceeds of claim. Remit amount deducted to Department and balance to Mrs. Groce, taking her receipt as required by commission, and discontinue advances to Mrs. Groce.

LANSING

File No. 417.00/250

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

[Telegram]

MANAGUA, *April 5, 1918, 11 a. m.*

Department's April 3, 4 p. m. Statement contained in my telegram of January 29, 11 a. m., refers to judgments of Mixed Claims Commission not parts of Public Credit Commission. Reserve is included in total awards of both cash and bonds as follows: Cash $27,587.31, bonds $92,250, total $119,837.31.

Reserve referred to in cablegram of commission to Enriquez is $130,000 in bonds in excess of amount cash and bonds awarded and is included in amount of $400,000.

Please confirm statement of Enriquez that the amount held in the United States Treasury is $334,000.83, subject to the order of the High Commission, available for gold payments. In accordance with treaty, Minister of Finance will notify Department to deposit these funds to order of the High Commission.

If the above sum in the Treasury is correct, and the Department so desires, I will immediately notify Ham to transfer money held by him to the High Commission and also to inform Government of Nicaragua.

JEFFERSON

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

[Telegram]

WASHINGTON, *April 19, 1918, 3 p. m.*

Your April 5, 11 a. m. The sum of $334,840.83, which is total remainder of $3,000,000 treaty monies, is not in United States Treasury but is in American Security & Trust Co. of Washington, D. C., where it has been since November last. It was deposited in accordance with the treaty provisions to order of Government of Nicaragua and may be withdrawn only upon order of Mr. Enriquez representing Minister of Finance of Nicaragua and approved by Mr. Stabler designated by the Secretary of State.

High Commission should send list of amounts to be paid from this sum to Mr. Enriquez who will present order approved by Mr. Stabler to the American Security & Trust Co. to make payments direct on behalf of the Government of Nicaragua.

With understanding that all awards of Mixed Claims Commission are provided for in allotment of funds, you may notify Ham to transfer money held by him to High Commission and so inform Government of Nicaragua.

LANSING

File No. 817.51/1088

The Acting Secretary of State to the Minister in Nicaragua (Jefferson)

[Telegram]

WASHINGTON, *April 20, 1918, 7 p. m.*

Your January 21, 4 p. m., Department's January 31, 4 p. m. Your February 7, 3 p. m. Nicaraguan Chargé d'Affaires has presented request of his Government to the effect that approval be given for payment of deficit using $66,000 held by Ham, being customs revenues for November and December. Provided this amount has not been in any way included in sum to be applied to Public Credit Commission's and other awards and provided this expenditure for deficit in no way conflicts with financial plan, and High Commission has agreed on use of this money for payment of deficit, Department is disposed to acquiesce in use of this money as desired by Nicaraguan Government under supervision of High Commission.

POLK

File No. 417.00/254

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

[Telegram—Extract]

MANAGUA, *May 6, 1918, 11 a. m.*

. . . In accordance with instructions contained in Department's April 3, 4 p. m., I have informed Nicaraguan Government and High Commission to proceed with the payments.

JEFFERSON

File No 417.00/253

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

No. 215 WASHINGTON, *July 12, 1918.*

SIR: The Department has received a letter dated April 2, 1918, from Mr. Lindberg, regarding the work of the Public Credit Commission of Nicaragua, in which he states that the commission relies upon the support of the Nicaraguan Government in scaling claims of natives, and upon the support of the Department of State in scaling claims of Americans and foreigners.

As indicated by the Department's telegram to the Legation of April 3, 4 p. m., the Department reserves for later consideration cases of claims rejected by the commission, and of awards rejected by claimants, as well as any other matters arising out of the fact that the Mixed Claims Commission and the Public Credit Commission are regarded as purely local tribunals of Nicaragua. No assurance can therefore be given as to what the attitude of the Department will be toward claimants who are dissatisfied with the action of the Public Credit Commission.

You may request the Nicaraguan Government to inform Mr. Lindberg of the above.

I am [etc.]

For the Secretary of State:
ALVEY A. ADEE

BOUNDARY DISPUTE WITH HONDURAS

Refusal of Nicaragua to Accept the Arbitral Award Rendered by the King of Spain in 1906; Good Offices of the United States; Commissioners Sent to Washington

(See pages 11–34)

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