URUGUAY

DISCUSSIONS REGARDING A LEND-LEASE AGREEMENT BETWEEN THE UNITED STATES AND URUGUAY

833.24/6734

The Under Secretary of State (Welles) to the Minister in Uruguay (Wilson)

WASHINGTON, January 24, 1941.

Dear Ed: My answer to your letter of December 26 has been somewhat delayed, as I wished to give you the latest information on the situation affecting Uruguay’s request for armaments.

I can assure you that this matter is in no manner escaping our attention. It forms a part of a larger problem: how the United States can arm itself rapidly and at the same time furnish supplies to Great Britain, China, Greece, and the American countries. In order to obtain an adequate concept of the situation in so far as it affects the American republics we are now, with the help of the War and Navy Departments, considering all the requests for arms and munitions which these countries have submitted in order to estimate the most urgent needs of each country, our capacity for meeting them and the financial problems involved. It was to facilitate this that we asked you to request the Uruguayan Government to submit officially its request for war matériel in the form described in the circular instruction of September 26, 1940. It is in this connection that programs or schedules are being drawn up for each country showing how and when deliveries can be made, as well as the estimated financial requirements. As we informed the Uruguayan Minister in Washington, Uruguay’s need for a loan to effect armament purchases is being considered in connection with this program.

When you have a convenient occasion to mention this subject to Dr. Guani or any other appropriate official of the Uruguayan Government, will you please convey to him my assurances that we are keeping Uruguay’s request constantly in mind and shall not fail to transmit to you or to Señor Richling at the earliest opportunity in-

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1 See also section entitled “General policy of the United States for the negotiation of basic agreements relating to Lend-Lease to other American Republics”, vol. 3, pp. 133 ff.

2 Not printed.


3 José Richling.

4 Alberto Guani, Uruguayan Minister for Foreign Affairs.
formation concerning the dates on which supplies can be made available together with the financial requirements connected therewith.

You may be interested to hear that Señor Richling transmitted to us several weeks ago official copies of the list of war matériel, compiled according to our circular of September 25 and forwarded to him by the Uruguayan Government. These are now under consideration in connection with the plan described above.

With all kind regards [etc.]

SUMNER WELLES

833.24/68: Telegram

The Minister in Uruguay (Wilson) to the Secretary of State

MONTEVIDEQ, February 1, 1941—3 p. m.
[Received 4:33 p. m.]

67. For the Under Secretary. The Under Secretary of National Defense ⁵ called on me this morning at the request of the Minister of National Defense ⁶ to say that the latter wishes to inquire whether it would be agreeable to the United States Government to receive the visit of two missions of Uruguayan military officers.

One mission would be composed of 3 artillery officers, a colonel, a major and a captain who would visit the United States in order to study the question of purchase of armaments with officers of the United States Government.

The second mission would be composed of 5 aviation officers, a lieutenant colonel, a captain and 3 other officers. Their purpose would be to study the question of purchase of aviation material, and in addition it is desired that the captain take flying courses at Randolph Field and other schools and that the 3 junior officers take a technical course in maintenance at the air corps technical school at Chanute, Rantoul, Illinois.

The Military and Naval Attachés ⁷ are in full agreement with me that it is most desirable that our Government accede to the wishes of the Uruguayan Government in this matter. I hope that you will instruct me to reply immediately that our Government will be delighted to receive the visit of these officers and to make the necessary arrangements either at the schools indicated or other schools as may appear appropriate. We will endeavor to obtain further information regarding the personnel of the missions and their qualifications and advise the Department later.

WILSON

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⁵ Carlos Carbajal.
⁶ Gen. J. A. Roletti.
⁷ Lt. Col. John A. Weeks and Comdr. Frank Loftin, respectively.
URUGUAY

833.24/68 : Telegram

The Secretary of State to the Minister in Uruguay (Wilson)

WASHINGTON, February 17, 1941—8 p.m.

27. Your 67, February 1, 8 [3] p.m. War and Navy Departments are agreeable to the proposal of the Uruguayan Government to send the two military missions to the United States and the Army Air Corps has expressed its willingness to give desired instruction to the four officers. The War Department adds however that in pursuance of existing requirements the officers who wish to receive instruction in aviation must possess a sufficient understanding of English to fulfill the considerations of safety and must pass a physical examination to the satisfaction of the Military Attaché.

Please report to Department as soon as possible names of personnel and date of departure from Uruguay.

HULL

810.20 Defense/1015 : Telegram

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

MONTEVIDEO, July 3, 1941—4 p.m.

[Received July 3—3: 56 p.m.]

281. The Minister of Foreign Affairs advises me that the Uruguayan Aviation Purchasing Commission now in the United States has been informed by the American companies that they are prepared to supply aviation material urgently needed here but that the mission and the Ministry of National Defense do not have information as to the means of obtaining credits under the proposed Export-Import Bank loan for the purchase of this material.

I have given a résumé of the essential portions of the Department's circular telegram of May 20, 10 p.m., to Guani since it appears that he does not have this information, but without calling attention to the possibility of obtaining supplies under the Lend-Lease Act, and have suggested that the Uruguayan Government may wish to instruct its Minister in Washington to take up with the Department directly the method of payment for the material which the Purchasing Commission intends to acquire.

CHAPIN

*Vol. vi, p. 137.
*Approved March 11, 1941; 55 Stat. 31.
WASHINGTON, July 10, 1941—10 p. m.

156. Your 281, July 3, 4 p. m. The Department on July 8 handed to the Uruguayan Minister a draft of basic agreement for the lend-lease program of transferring military matériel to Uruguay. The principal financial provisions are as follows: Uruguay is to receive a total of $17,000,000 of war and navy matériel of which it is expected $2,000,000 of army matériel and $1,000,000 of navy matériel will be transferred during the fiscal year ending June 30, 1942. This delivery date is subject to change if broad defense considerations so require.

With respect to repayment, Uruguay is expected to pay $1,300,000 in each fiscal year until 1947, making a total of $7,800,000 to be repaid prior to June 30, 1947. In consideration of the broad objectives of the program and of certain very general economic concepts, the entire obligation of Uruguay to the United States would be considered discharged by such payments.

The Minister stated that he believed that Uruguay would not need the full $17,000,000 originally provided for, and that he would request his military expert to prepare a list which would probably amount to $6,000,000 or $7,000,000. He was informed that of course the United States did not wish to force additional arms upon Uruguay, and that the matter could be further discussed. In reply to his question, he was informed that the amounts to be repaid were based on an appraisal of Uruguay's economic outlook; that they were in no way proportionate to the amount of arms to be furnished, which was based purely on defense and strategic considerations; and that if the total were reduced markedly, the repayment proportions would undoubtedly be increased proportionately.

The Minister stated that he fully understood the situation, indicated his gratification at the generous treatment to be accorded Uruguay, and stated that he would inform his government in general terms only, not transmitting any figures until he had taken up with the Department a specific list of arms in the much lower total amount.

WELLES

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10 The Legation in Uruguay had been raised to the rank of Embassy earlier in the year.
URUGUAY

833.24/78 : Telegram

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

MONTEVIDEO, July 23, 1941—6 p. m.
[Received 7:20 p. m.]

317. Department's telegram No. 156 of July 10 concerning lend lease program for transferring military material to Uruguay. I mentioned this matter to Guani over a week ago and yesterday I discussed the matter with him and the Minister of National Defense at the Foreign Office. The following points were brought out at the conference which was attended also by Chapin.

1. As we had suspected the Uruguayan Government has received no adequate report from its representative in Washington.
2. The Minister of National Defense states categorically that Uruguay will require the full $17,000,000 for needed material. He said that this includes only Army and Navy material and would not include materials and equipment for air fields.
3. The Minister of Foreign Relations pointed out that the Government has a credit of 7,600,000 pesos voted by Congress for armament of which there remains available a balance of 6,300,000 pesos which should at official exchange rates take care of 2 or 3 annual payments under our proposed repayment plan.
4. The Uruguayan Government, which apparently had not been informed with regard to the substance of the penultimate paragraph of the Department's circular telegram of May 20, 10 p. m.,11 will proceed promptly to designate the ranking official of the military mission now in the United States to discuss Uruguay's requirements with the War and Navy Departments.

Dawson

833.24/78 : Telegram

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

WASHINGTON, July 26, 1941—8 p. m.

181. Your 317, July 23, 6 p. m. The Department tactfully brought to the attention of the Uruguayan Minister that the Minister of National Defense had stated that Uruguay would require the full $17,000,000 for needed material. The Minister had previously suggested a figure of $5,000,000 but he has now indicated that he will send the texts in Spanish and English on the $17,000,000 basis to his Government by airmail.

Welles

11 Vol. vi, p. 137.
The Ambassador in Uruguay (Dawson) to the Secretary of State

Montevideo, August 20, 1941—6 p. m.
[Received 6:10 p. m.]

357. My telegram No. 317, July 23, and Department’s telegram No. 181, July 26, concerning Lend-Lease program for transferring military matériel to Uruguay. Our proposal has now been favorably considered by the Uruguayan Government and Guani tells me that at a Cabinet meeting yesterday he was charged with drafting of a message to Congress requesting its authorization to conclude the proposed agreement. He says that the matter must be submitted to Congress and that the normal procedure would be to publish both the message and the text of the agreement. I have asked him to withhold publication until I can consult the Department with regard to its wishes.

The matter has received already some publicity here. In particular a press despatch concerning yesterday’s meeting of the Cabinet contains the brief statement that it was decided to request Congressional permission for an agreement under which Uruguay would acquire war material in the amount of $17,000,000. One of the minor local newspapers has referred to negotiations under which Uruguay would pay less than half of the value of the material to be acquired.

It is obvious that once the matter is laid before Congress the terms of the proposed agreement will become pretty generally known even if the Government’s message were not published and Congressional discussion were to be in secret session. Since we cannot expect the secret to be properly guarded and any attempt to maintain secrecy is apt to arouse suspicion here and in Buenos Aires and, bearing in mind our previous experience in connection with Congressional discussion of the naval base issue, I am inclined to believe that the best course is full publicity and open debate. I shall appreciate the Department’s prompt instructions for communication to Guani at the earliest possible moment.

Repeated to Embassy at Buenos Aires.

Dawson

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

Washington, August 22, 1941—1 p. m.

208. Your 357 August 20, 6 p. m. In view of the fact that the financial terms vary from country to country the Department would not welcome publication of the various texts which would permit com-
parison of the financial terms offered the several American republics. Nevertheless, if the proper Uruguayan procedure requires a general congressional discussion of the matter, and since the secret cannot be properly guarded, the Department authorizes you in your discretion to agree to the publication of the text of the agreement.

The Department is sending you a revised text of the Lend Lease Agreement which contains no changes of substance, but a number of modifications of form to make mutual the undertakings of Articles 4 and 5 and the suspension of deliveries clause of Article 1 (text of July 26 Instruction 2). A parallel text has already been sent to Rio de Janeiro, and the Department is requesting the Embassy there to telegraph it to you at once.

HULL

833.24/93

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

No. 132

MONTEVIDEO, September 9, 1941.

[Received September 17.]

Sir: I have the honor to refer to my despatch No. 112 of September 4, 1941, 12 and to previous correspondence regarding the proposed transfer of military matériel to Uruguay under the Lend-Lease program.

The only new development in the matter since my last despatch has been an interview which Mr. Chapin and I had on September 5 at the Foreign Office with the Ministers of Foreign Relations, National Defense, and Finance. 13 The conference was arranged at Dr. Guani’s request for the purpose of discussing certain points in the Department’s draft of the proposed agreement which were not quite clear to the Uruguayan officials.

The only point of any importance concerning which they desired information was the amount of matériel which Uruguay would receive during the first twelve months. It developed in the course of the conversation that, since Uruguay was to be called upon to pay only $1,300,000 per annum, certain members of the Cabinet feared that this meant that matériel to be delivered during the twelve-month period would not exceed this amount. Mr. Chapin and I dispelled their doubts on this score and pointed out that, as I had previously informed Dr. Guani and as he was presumably advised by his representative in Washington, the Department had expressly stated that it was expected that $2,000,000 of army matériel and $1,000,000 of

12 Not printed.
13 Javier Mendivil.
navy matériel would be transferred to Uruguay during the first twelve months.

The Minister of National Defense said that while he was glad to know that the delivery of matériel amounting to $3,000,000 was contemplated during the coming twelve months, even this amount was substantially below Uruguay’s immediate requirements which were estimated at $5,000,000. He said that he was afraid that opposition in Congress would center around this point and that the Government’s position would be much stronger if it appeared that Uruguay would receive promptly the matériel—particularly training planes—which the Government has stated to be urgently required for defense. Mr. Chapin and I told General Roletti and his colleagues that, while we were confident that our Government would do everything practicable to meet Uruguay’s needs, deliveries would have to be governed largely by production and our own requirements. Mr. Chapin pointed out that the filling of Uruguay’s needs might be facilitated to some extent if, in specifying items required, some latitude were left for the substitution of matériel which we might not be able to furnish promptly owing to other urgent defense demands.

After some further discussion, General Roletti said that it might be found possible to amend Article 1 so as to provide for deliveries totalling $5,000,000 during the fifteen months following the signing of the agreement. He said that he would consider such a provision satisfactory and believed that it would satisfy the Uruguayan Congress. Dr. Guani intimated that instructions might be sent to the Uruguayan Ambassador in Washington to suggest such a change to the Department. Whether or not such instructions have been or will be sent, I do not know.

With reference to my telegram No. 357 of August 20 and the Department’s telegram No. 208 of August 22, concerning publication of the proposed agreement, I may say that in the course of our interview on September 5, Dr. Guani stated that he no longer considered it advisable to publish the full text of the agreement in submitting the matter to Congress, since he had reached the conclusion that the wording of certain clauses might be misunderstood by the public. He said, however, that the Government’s message to Congress would be published and would contain a summary of the agreement setting forth the principal provisions including, of course, the financial conditions. Mr. Chapin and I both feel that publication of this information is inevitable and desirable and that any attempt to maintain secrecy regarding a matter which cannot be kept secret would arouse suspicion and have unfortunate repercussions. I suggested to Dr. Guani that he might like to let me see the text of the message to Congress before it was actually sent and he said that he would do so. I made this suggestion because of my desire to be in a position, if
possible, to clear up any misunderstanding which may still linger in the minds of the Cabinet before the message goes to Congress. In spite of my previous conversations with Dr. Guani and my efforts to make all phases of the proposed agreement clear both to him (and to the President), I was surprised to find that, at the beginning of our recent interview, he was still in doubt as to so important a point as that referred to above.

Respectfully yours,

WILLIAM DAWSON

833.24/92: Telegram

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

MONTEVIDEO, September 13, 1941—11 a.m.
[Received 11:09 a.m.]

392. The Uruguayan Government sent yesterday to Congress a message urgently requesting authority to sign our proposed agreement for the delivery of war material under the lease-lend program. The message has been published but not the text of the agreement. The message sets forth the financial terms offered by us, states that they are exceptionally advantageous and that our offer should be accepted promptly, and points out that of the $7,800,000 which Uruguay would pay for $17,000,000 worth of material about $4,000,000 would be covered from proceeds of the national defense loan authorized last year. Text of message follows by air mail.

Dawson

833.24/111: Telegram

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

MONTEVIDEO, November 21, 1941—8 p.m.
[Received 10:53 p.m.]

489. My despatch 248 of October 24.14 The proposed Lend-Lease Agreement with Uruguay after approval by the Chamber of Deputies is still pending in the Senate. While it has not come up for discussion the Herreristas15 have announced that they will oppose it and are doing so violently in their organ El Debate.

The financial clauses were summarized in the Government's message to Congress which accompanied my despatch number 248. Publication of the full text of the agreement had not been considered advisable by Guani. However, El Debate and Tribuna Popular which is likewise unfriendly to the United States have now published the

14 Not printed.
15 Followers of Luis Alberto de Herrera, five-time candidate of the Partido Nacional for the Presidency of Uruguay.
full text and claim that it contains provisions prejudicial to Uruguay. In particular they have seized upon the clauses providing for the furnishing of defense information and for suspension by the United States of deliveries at our option.

Guaní tells me that he did not authorize publication and that he believes that *El Debate* obtained the text from some Herrerista member of Congress who copied it in Committee. While he is extremely annoyed with the Herreristas he says that from an international standpoint too much importance should not be attached to their attitude which he ascribed primarily to their desire of embarrassing the Government and of bringing pressure on it for domestic political reasons. While I believe the Herreristas interested principally in the domestic situation it is worthy of note that there has been a marked recrudescence of hostility to the United States on their part during the past few days coinciding with increased world tension and following a visit of three Herrerista members of Congress to Buenos Aires to attend a banquet for Admiral Scassox.

**NEGOTIATIONS RELATING TO A RECIPROCAL TRADE AGREEMENT BETWEEN THE UNITED STATES AND URUGUAY**

611.3331/361a : Telegram

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

WASHINGTON, April 3, 1941—6 p. m.

54. 1. Public announcement of intention to negotiate a trade agreement with Argentina seems possible in the near future. It would again seem desirable to undertake negotiations with Uruguay concurrently, and you are requested to ascertain as soon as possible whether, in the event that a satisfactory basis for undertaking negotiations with Argentina is reached, the Uruguayan Government would be disposed to undertake the negotiation of a trade agreement generally along the lines of that contemplated in 1939.

2. You should state that the list of products in respect of which we would be prepared to consider granting concessions to Uruguay, to be published with the public announcement of intention to negotiate, would include those with respect to which we offered concessions during the previous negotiations. However, we would be prepared to consider the possibility of adding to the published list other products of major interest to Uruguay which the Uruguayan Government might wish to propose.

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16 See vol. vi, section under Argentina entitled “Reciprocal trade agreement between the United States and Argentina, signed October 14, 1941.”
3. While we would desire that the general provisions be basically similar to those proposed by us during the previous negotiations, account would be taken of abnormal circumstances arising from the war.

4. In communicating the foregoing to the Foreign Office, you should state that an early reply would be greatly appreciated. You should also emphasize that it is essential that there be no publicity whatever in the matter prior to public announcement.

5. The Uruguayan Minister \textsuperscript{18} here is being informed of the foregoing.

6. It is suggested that you communicate discreetly with the Embassy at Buenos Aires in order to obtain additional information regarding the discussions now in progress with the Argentine Government.

7. For your background information, we are also instructing the Legation at Asunci\'on to ascertain whether the Paraguayan Government would be disposed to undertake the negotiation of a trade agreement at this time.

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611.3331/362: Telegram

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

Montevideo, April 4, 1941—6 p.m.
[Received 8:45 p.m.]

141. Department’s telegram 54, April 3, 6 p.m. I left with the Foreign Minister today a strictly confidential note embodying the substance of the first four paragraphs of the Department’s telegram.

Dr. Guani \textsuperscript{19} said that the Uruguayan Government “would be only too glad to resume negotiations for a trade agreement with the United States upon the general bases tentatively established in the previous negotiations which had been dropped at the instance of the United States.” He said that I might take his oral statement as the official answer of the Uruguayan Government. He added that the United States Government could rest assured that the matter would be kept a close secret and that as far as Uruguay was concerned “there would be no publicity in the matter prior to public announcement.”

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\textsuperscript{18} José Richling.

\textsuperscript{19} Alberto Guani, Uruguayan Minister for Foreign Affairs.
611.3331/363: Telegram

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

Montevideo, April 22, 1941—6 p.m.
[Received 6:35 p.m.]

163. Department's 54, April 3, 6 p.m. From the information which Adam brought back from Buenos Aires it would appear that the conditions surrounding a possible trade agreement differ considerably between Uruguay and Argentina since in the last year we have become Uruguay's best customer with a strong balance of trade in Uruguay's favor and are thus in an excellent bargaining position.

Glover and I feel strongly that the proposed negotiations for a trade agreement with Uruguay should be undertaken as soon as possible so that the announcement of intention to negotiate with Argentina and Uruguay may be issued at the same time.

Since there is little in the way of original concessions which might be given Uruguay above those given to Argentina, premature announcement of our possible concessions to Argentina might seriously prejudice any Uruguayan agreement.

In my last conversation with Guani he also expressed the hope that from the point of view of local reaction we would not wait until the Argentine agreement was practically completed before starting negotiations here but that negotiations might be begun immediately.

It is assumed that the Department will advise the Legation as soon as possible of the nature of the new general provisions for the Uruguayan agreement and for any modifications proposed in schedules I and II, but in our opinion the most important single factor with respect to Uruguayan concessions would be a provision for most-favored-nation treatment with regard to exchange. If American goods were granted the same exchange treatment as those coming from Great Britain, duty reductions in comparatively few items would seem necessary.

Further details by air mail despatch.

Chapin

611.3331/394

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

No. 897

Montevideo, April 23, 1941.
[Received April 29.]

Sir: In amplification of my telegram, No. 163 of April 22—6 p.m., and in view of the advanced state of discussions between the United States and Argentina, which are now being conducted in Buenos

20 Hector C. Adam, Jr., Third Secretary of Embassy.
21 Robert G. Glover, Commercial Attaché.
Aires, I have the honor to submit the following considerations with respect to the advisability of commencing trade agreement negotiations with Uruguay at the earliest opportunity. The Legation feels that the situation in Uruguay differs from that in Argentina in two important respects:

1. The President of Uruguay does not have the power to conclude an agreement without the prior approval by both Houses of the Legislature. The Department is already aware of the peculiar situation in the Uruguayan Legislature whereby the Herrerista group is in a position to block any legislative measure which it may choose. The situation suggests to the Legation that some difficulty might be encountered in obtaining ratification of the trade agreement, although I was recently assured by Uruguayan Minister for Foreign Affairs that he did not expect trouble on that score. In spite of Dr. Guani’s assurances, it would appear that the best way to avoid difficulties with the Legislature is to commence negotiations immediately, as even Dr. Guani hinted that public announcement of the proposed agreement with Argentina before the conclusion of negotiations here might seriously disturb Legislative action. The Department will readily appreciate that the Herrerista Nationalists would be only too glad, as a means of embarrassing the Administration, to show their colleagues that Uruguay, by failing to conclude the agreement, would reap all the benefits obtained by Argentina without having to give anything in return.

2. The United States’ position vis-à-vis Uruguay is far stronger than it is with respect to Argentina, and the chances of obtaining a trade agreement satisfactory to the United States exporters are correspondingly better; while Argentina’s balance of trade with the United States is unfavorable, Uruguay’s balance is distinctly favorable. For example, the United States has bought approximately ninety percent of Uruguay’s current wool clip; during the first three months of 1941, Consular invoices on file in this office show the United States purchased $16,814,035. worth of Uruguay’s produce, while it is estimated that sales to Uruguay in the same period amounted to well under $4,000,000.

The United States Department of Commerce figures for January–February, 1941, show $11,854,000. purchased against $1,736,000. sold. As related in the Commercial Attaché’s annual report, the Bank of the Republic, during 1940, purchased exchange arising from exports in the sum of $66,829,127. against estimated sales of $36,000,000., leaving a balance for the year of $30,000,000.

It thus becomes abundantly clear that the United States could, if it received a more equitable exchange treatment, sell a far larger

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22 Followers of Luis Alberto de Herrera, five-time candidate of the Partido Nacional for the Presidency of Uruguay.
amount to Uruguay than it does at present without having to increase its Uruguayan imports. The Legation is, therefore, of the opinion that our principal objective in concluding a trade agreement with Uruguay should be to obtain a larger share of the exchange which is created by our imports of Uruguayan produce.

If, for reasons of policy, the Department feels that it is desirable to permit Great Britain and the “sterling area” in general to obtain a larger share of the total available controlled exchange than their purchases create in Uruguay, it would still seem possible under the arrangement suggested in the paragraph above to release some of the exchange created by our imports to the sterling countries. Such a course seems preferable to the present exchange situation where sterling exports to Uruguay enjoy favorable exchange rates as compared to our own exports as a matter of right, and where our own exports are subject to varying discrimination dependent in degree purely upon the arbitrary decision of the Uruguayan authorities. A trade agreement in this form would seem to afford maximum protection to United States business, while not tying our hands in case we should wish to make some of our exchange available to “sterling area” countries.

So important does this matter of receiving equitable exchange treatment appear to the Legation that it feels reduction of Uruguayan tariff items by comparison of no real importance for the duration of the war.

The Legation’s principal interest in regard to the Uruguayan import tariff is the reduction of certain excessive gold surcharges which at the present time affect certain articles which form an important share of our exports to Uruguay, and which are considered the world over to be American export specialities. However, though the Legation feels that present conditions render it unnecessary to ask for much in the way of actual tariff reductions, the Legation does consider it advisable that all important American export items be bound at the present tariff rates. If the importer of all categories of American goods could, at the conclusion of this trade agreement, be assured of receiving imports from the United States by paying for them at the same controlled rates of exchange as do the importers of goods from the most favored nation, the Legation has every reason to believe that United States exporters would find themselves in a strongly commanding position in the Uruguayan market. Thus, in essence, what the Legation wishes to obtain is most-favored-nation treatment with respect both to duties and exchange for every class of articles exported from the United States.

It is possible that the questions of a more generous allotment of ocean-going cargo space for Uruguayan exports and of our existing
export license system of strategic materials and products which are necessary to Uruguay's economic life may be brought up in the trade agreement discussions. Dr. Guani has mentioned the subject of cargo space on several occasions, and it is believed he is now under pressure from local importers for aid in obtaining export permits for strategic articles such as aluminum. Although, undoubtedly, outside the scope of the usual considerations in trade agreement discussions, they are vital questions from the Uruguayan point of view.

In the light of the Department's strictly confidential mimeographed instruction of April 1, 1941 (File No. 811.20 (D) Regulations/1729a), concerning the control of exports by the United States of strategic raw materials and the Department's desire that they not be re-exported by American purchasing countries, it is possible that the Department might wish to suggest the inclusion in a trade agreement of suitable provisions prohibiting such re-exports by Uruguay as a part of the general provisions.

In discussing with members of the Embassy staff in Buenos Aires the progress of the trade agreement negotiations there, Mr. Adam learned that the provision with respect to nominal customs penalties and clerical errors in invoice manifests, etc. was causing difficulty. He also recalls that this subject, although one of apparently minor importance from the United States' point of view, was one of the first objected to by the Uruguayan conferees in the previous negotiations and to which the objection was most emphatic. Mr. Silveira Zorzi held that basic Uruguayan law did not permit taking into consideration a declarant's intent, and that penalties had to be assessed on the printed document exactly as presented. It is believed that unnecessary discussion will be avoided if the Department is willing to forego the article of the general provisions dealing with this subject.

In conclusion, it is not without interest to report that occasional articles have recently appeared in the more responsible Uruguayan newspapers, urging the cultivation of closer trade relations with the United States. A clipping of an editorial from this morning's edition of La Manana, semi-official Government organ, is enclosed as a typical example. While the article itself contributes little in the way of constructive suggestions, it is added evidence that announcement of negotiations for a trade agreement would be well received by public opinion at this time.

Respectfully yours,

Selden Chapin

24 Vol. iv, p. 151.
26 Not printed.
The Secretary of State to the Chargé in Uruguay (Chapin)

WASHINGTON, April 30, 1941—7 p. m.

69. Department’s no. 54, April 3. Your nos. 141, April 4, 6 p. m., and 163, April 22, 6 p. m.; despatch no. 897, April 23.

1. You are requested to ascertain as soon as possible whether the list of products which were contained in our public announcement of intention to negotiate a trade agreement with Uruguay of October 20, 1939 (Press release no. 523 27) as modified below would be acceptable to the Government of Uruguay as a list of products, with respect to which we would be prepared to consider granting concessions to Uruguay, to be published in a new announcement in the event it should be decided to undertake new negotiations:

2. Delete 53, linseed oil; add 19, casein or lactarene, et cetera; 42, glycerin, crude and refined; 701, oleo oil (in addition to oleo stea-

rin); 1755, sheep, lamb and goat casings, weasands, et cetera; substitute for the two items under 706 the following: Meats, prepared or preserved, not specially provided for (except meat pastes other than liver pastes packed in air-tight containers weighing with their contents not more than 3 ounces each). This wording encompasses all meats, prepared or preserved, not specially provided for, which are now classifiable under paragraph 706, with the exception of those specified in the parenthetical clause and which are covered by import statistical classification no. 0032.1.

3. A new draft of the general provisions for submission to the Uruguayan Government, and instructions in regard thereto, will be forwarded as soon as possible by air mail. However, the Department feels that detailed discussions of the general provisions and the schedules will not be necessary prior to formal announcement of intention to negotiate.

Hull

WASHINGTON, May 7, 1941—10 p. m.

74. Department’s no. 69, April 30, 7 p. m. For your information and confidential use in discussions with Uruguayan authorities, there is a possibility that trade-agreement discussions now taking place with Argentina may reach a point which will make possible public announcement of intended negotiations in the very near future, pos-

27 Department of State Bulletin, October 21, 1939, p. 418.
sibly as early as May 10. We will, of course, wish to announce negotiations with Uruguay simultaneously. Before this can be done it is necessary that the list of products for consideration to be published with the announcement be definitely agreed upon. Please discuss the matter promptly in the above sense with the appropriate Uruguayan authorities with a view to obtaining their acquiescence to the list communicated to you in reference telegram.

HULL

611.3331/365: Telegram

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

MONTEVIDEO, May 8, 1941—4 p. m.
[Received 4:24 p. m.]

176. Department’s No. 74, May 7, 10 p. m. The information contained in the Department’s No. 69, April 30, 7 p. m. was only communicated to the Ministry of Foreign Affairs on May 2. While I have today again spoken to Guani who has promised me that he will endeavor to give me a definite reply in the next few days as to whether the list is acceptable, I do not feel that it would be advisable to press him further in view of the long delay in resuming the discussions and the already evident sensitiveness of the Uruguayan Government that we are conducting the negotiations merely as a corollary to those in Buenos Aires. I earnestly recommend therefore that the announcement be postponed if at all possible until the expected reply is received from Guani.

CHAPIN

611.3331/365a: Telegram

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

WASHINGTON, May 11, 1941—midnight.

79. Please advise Uruguayan authorities that the press releases in regard to public notices of intention to negotiate with Uruguay and Argentina will be released for publication in papers appearing on the streets after 9 p. m. E. S. T. May 12.²⁸ The draft releases, which are routine in nature, refer to the public notices issued by the Secretary of State and by the Committee for Reciprocity Information in regard to briefs and public hearings and to the lists of products on which the United States will consider granting concessions.

Please acknowledge receipt of this telegram.

HULL

²⁸ Released to the press on May 13; Department of State Bulletin, May 17, 1941, p. 581.
The Chargé in Uruguay (Chapin) to the Secretary of State

Montevideo, May 12, 1941—noon.
[Received 12:30 p.m.]

183. Department's 79, May 11, 12 p.m. [midnight.] Guani confirms that the proposed announcement of negotiations for a trade agreement between Uruguay and the United States is satisfactory, subject to the possibility of a future supplementary announcement, if necessary.

A brief announcement without any details will be given Uruguayan press at 10 p.m. Montevideo time for publication in tomorrow morning's newspapers.

Chapin

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

No. 295

Washington, May 28, 1941.

Sir: Reference is made to the Department's telegram no. 69 of May 1 [April 30], 1941 stating that the Department would forward a new draft of general provisions for inclusion in the proposed trade agreement between the United States and Uruguay.

There is enclosed such a draft including a proposed draft of Final Minutes 29 which, unless you perceive objection, you should transmit to the appropriate Uruguayan officials. In doing so you should state that the articles of the draft are either identical, or similar in substance, to those proposed during the previous negotiations in 1939, except for the modifications indicated below.

Article IV relating to exchange control now provides, in the event that either country maintains any system of exchange control, merely for most-favored-nation treatment with respect to (1) transfers of payment for, or payments necessary or incidental to, the importation of any article originating in the other country; (2) rates of exchange and taxes or charges on exchange transactions in connection with any such payments, on a like article basis. Moreover, numbered paragraph 3 provides an escape clause from these provisions in time of war or other national emergency on the condition only that the Government availing itself of this clause inform the Government of the other country in writing of the action taken. This clause, which is necessary on our part because of existing law (Section 5(b) of the Act of October 6, 1917, as amended by Public Resolution no. 69,

29 Not printed.
76th Congress, approved May 7, 1940 \(^{30}\), doubtless will be acceptable to the Uruguayan Government whether or not similar legislation for dealing with emergencies exists in Uruguay.

For the Legation’s confidential information, these modifications of the exchange control article which was proposed by this Government in the previous negotiations with the Uruguayan Government, and which was previously considered as standard for inclusion in trade agreements, have been made in compliance with the wishes of the Treasury Department which desires to retain greater freedom of action, in connection with the operation of its Foreign Funds Control, with respect to matters affecting international transfers of payment than would be permitted by the former exchange control article requiring no restriction or delay on transfers of commercial payments.

[Here follow instructions regarding a number of technical points in the draft articles.]

Very truly yours,

For the Secretary of State:

DEAN ACHESON

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611.3331/391: Telegram

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

MONTEVIDEO, June 13, 1941—4 p.m.

[Received 8:05 p.m.]

236. Department’s telegram No. 69, April 30, 7 p.m. and my telephone conversation with Hawkins of May 10.\(^{31}\) Confidential note has just been received from Foreign Office in reply to my memorandum of May 2 transmitting a list of products upon which the United States would be disposed to make concessions to Uruguay. The Uruguayan Foreign Office suggests that linseed oil be retained on the list and in addition to other articles on the list consideration be given with respect to the following items: turkeys, canned mutton, tanned leather, dried and pickled lamb skins, eggs, bird seed, citrus fruits, fine wools, shoes.

In the Legation’s opinion Uruguay is not justified in asking for special consideration on many of these items since exports are negligible and in any case this country could hardly be considered as an important source of supply.

The Department, however, may wish to give some consideration to the following items: fine wools, bird seed, canned mutton, dried and pickled lamb skins and certain grades in leathers.

\(^{30}\) 54 Stat. 179.

\(^{31}\) No record of conversation found in Department files. Harry C. Hawkins was Chief of the Division of Commercial Treaties and Agreements.
It is obvious that Uruguay is including in its list practically all items which it makes any pretense to export. In view of the fact, however, that the request has been tendered through official channels Glover and I feel that it is undesirable to give the appearance of rejecting any part thereof offhand, and I would be grateful for the Department's instructions.

Chapin

611.3331/391: Telegram

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

WASHINGTON, June 19, 1941—8 p.m.

124. Your nos. 183, May 12, noon and 236, June 13, 4 p.m. You should inform the appropriate Uruguayan authorities that

(1) canned mutton is included under the nomenclature of paragraph 706 of the Uruguayan list published on May 13, 1941; 52

(2) as regards the other products mentioned in your reference telegram, irrespective of other reasons for not listing them for consideration, the issuance of a supplemental list at this late date would necessitate another period for filing briefs and another public hearing; this would delay the definitive negotiations to an extent which presumably would make it impossible to conclude a trade agreement with Uruguay simultaneously with that contemplated with Argentina, which we hope to do and which we assume is also the desire of the Uruguayan Government.

Therefore, we earnestly hope that the Uruguayan Government will be disposed to proceed with the negotiations on the basis of the list published on May 13 (enclosed with Department's instruction no. 287, May 17, 194153).

Hull

611.3331/397: Telegram

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

MONTEVideo, June 21, 1941—noon.

[Received 5 p.m.]

257. Department's 124, June 19, 8 p.m. In discussing the memorandum which I left with him yesterday the Foreign Minister admitted that he personally had not given much consideration to the supplemental list and he implied that most of the items had been put there more as a gesture to satisfy local industries rather than because of their commercial importance. He did, however, express

52 Department of State Bulletin, May 17, 1941, pp. 581-583.
53 Not printed.
considerable interest in obtaining a concession with regard to classifications of fine wools, although I endeavored to explain that Uruguay was not the principal source of United States imports.

While Guani reaffirmed the Uruguayan desire to sign its agreement more or less simultaneously with Argentina, I gathered the impression that now that the matter is approaching the negotiation stage his interest is not as keen as before, possibly because of the press of what he may feel to be more urgent business as well as because Uruguayan export trade to the United States is now extremely flourishing.

Due to the personal attention which he gives to each phase of the Foreign Office, Guani’s interest and active participation are essential to any substantial progress in negotiations. While the Legation is affording him every opportunity to prepare the way for the final negotiations in order to achieve a simultaneous conclusion I suggest that it would be inadvisable and probably ineffective to press Guani in view of the many other problems demanding his attention.

CHAPIN

611.3331/406 : Telegram

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

MONTEVIDEO, July 19, 1941—2 p.m.
[Received 5:52 p.m.]

307. Informal conversations with representatives of the Uruguayan Government headed by the Director of the Commercial Section of the Foreign Office \(^{33a}\) were finally inaugurated last week but unfortunately not much progress has been made due mainly to the basic divergence in point of view, the representatives of the Bank of the Republic being obviously reluctant to recede from the arbitrary methods of allotment of exchange and import quotas now practiced by the bank, which represents a source of considerable income as well as a means of controlling importation. As the Department can appreciate, Uruguay’s exports to the United States are at present highly satisfactory and there are no immediate advantages beyond prestige now to be gained by Uruguay through a trade agreement. It appears, therefore, unfortunately that the advantages to be sought are mainly for our own account.

Although it is realized that the Department may be reluctant to connect our general trade agreement policy with our procurement program as respects wool and other Uruguayan supplies requested or our export control policy as respects materials urgently required here, it may be necessary to capitalize on these controlling factors in order to obtain a prompt and satisfactory trade agreement.

\(^{33a}\) Felice S. Grucci.

426323—62—37
While the Embassy will make every effort to further the progress of the negotiations on the general provisions I feel obliged, in view of the situation described in the first paragraph, to point out that Uruguayan officials apparently feel no great urgency in conducting the negotiations. Moreover, press of important and urgent work connected with export control and undesirable agencies and particularly that arising from demands made by firms on the President's blacklist published yesterday has in effect swamped the Commercial Section of the Embassy. It is imperative that the additional personnel envisaged for this section, Chapin's letter to Shaw of May 27, 1941, be made available immediately if the work is to be adequately carried on.

Dawson

611.3531/407a

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

No. 12

WASHINGTON, July 23, 1941.

Sir: Reference is made to the Department's telegram no. 166 of July 18, 1941 stating that our definitive proposals with respect to Schedules I and II of the proposed trade agreement would be transmitted within a few days.

These proposals are enclosed herewith together with two memoranda showing (1) the items in respect of which our present offers constitute an improvement compared with the proposals made in December 1939; (2) the comparative trade coverage of the proposed Schedules (enclosures 1 to 4, respectively). You are requested to transmit these proposals to the appropriate Uruguayan authorities. In doing so, their strictly confidential nature should be emphasized.

Should the Embassy, prior to transmitting these proposals to the Uruguayan Government, desire to make any comments in regard thereto on the basis of available information, such comments should be reported to the Department by telegram.

You will note that the proposed Schedule I provides for exemption of all scheduled items from payment of any portion of the Uruguayan import charges in gold. The elimination of the gold payment requirement with respect to each of these items, in addition to effecting a reduction in import charges, would do away with the present uncertainty in the calculation of such charges, and would simplify customs procedure.

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*Not found in Department files. G. Howland Shaw was Assistant Secretary of State.

*Not printed.

*None printed.
It may also be noted that Item number 167 of the Raw Materials Schedule combines and supersedes present tariff Item numbers 82 to 86 inclusive, 120, 121, and 167. You should request a concession on Item 167 in the form indicated in the proposed Schedule I, but in the event the Uruguayan Government should indicate that it would prefer not to consolidate these tariff items, you are authorized to request the proposed concessions on these items set forth separately.

As regards Schedule II, you should emphasize, by specific reference to the pertinent memorandum, that our present proposals constitute a substantial improvement over those offered in December 1939, and that concessions of the magnitude proposed should be of substantial benefit to the Uruguayan economy, even at the present time, and, upon the resumption of more normal trade and shipping conditions, of even greater value. The concessions requested for inclusion in Schedule I are considered moderate, and would tend to offset the increased costs incident to the importation into Uruguay of the articles covered by the Schedule, with corresponding benefits to the Uruguayan consumers.

Very truly yours,

For the Secretary of State:

Dean Acheson

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611.3331/4191: Telegram

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

Montevideo, October 20, 1941—4 p. m.

[Received 4:13 p. m.]

440. In spite of constant prodding and frequent inquiries on the part of the Embassy, the Uruguayans have failed thus far to submit counter-proposals or observations on our drafts of general provisions or schedules. At the same time they have constantly assured us that our proposals were being studied by various Government agencies and that conversations would be resumed shortly. The delay is probably due primarily to the chronic dilatoriness of Uruguayan officials in such matters. However, other factors in the situation may well be the present satisfactory state of Uruguayan exports to the United States and lack of any particular interest in the negotiations on the part of Dr. Guani since the abandonment of his projected trip to the United States.

The signature of the United States-Argentine agreement\(^\text{37}\) aroused the Uruguayans temporarily at least and was followed by a Foreign

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\(^{37}\) Signed October 14, 1941, at Buenos Aires. For text of the agreement and supplemental exchange of notes, see Department of State Executive Agreement Series No. 277, or 56 Stat. (pt. 2) 1685.
Office statement to the press conveying the impression that Uruguay's negotiations with us are farther advanced than is actually the case. The Director of Commercial Affairs of the Foreign Office informed Chapin last week that an important meeting of Uruguayan officials will be held tomorrow to consider our proposals and that informal conversations with the Embassy could probably be resumed in a few days. He reiterated that the principal stumbling block remained the question of most favored nation treatment as respects exchange control but that his first impression after reading the appropriate clause of our agreement with Argentina was that some similar formula might be worked out with Uruguay.

As soon as further information is available regarding the Uruguayan attitude, I shall report by cable with respect to prospects and our recommendations.

Dawson

611.3331/419: Telegram

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

Montevideo, October 24, 1941—11 a.m.
[Received October 24—10:38 a.m.]

444. Not realizing our policy and practice in such matters, many Uruguayan exporters and officials believe that when the trade agreement with Argentina takes effect on November 15 Argentine products will enjoy preferential treatment making it impossible for similar Uruguayan products to compete. Guani has taken the matter up with me and I have of course explained the true situation to him. He requests that I address him a note in order that the Foreign Office may release a reassuring statement.

Accordingly I request the Department’s authorization to address to the Foreign Office a note in which, after quoting section 350 (a) of the Tariff Act of 1930 as amended, 54 I would state

“I am authorized by my Government to advise Your Excellency that, pursuant to the foregoing provisions, upon the taking effect of the trade agreement recently signed between the United States and Argentina, the concessions granted to Argentine products by the United States will be extended to the similar products of Uruguay and will be applied to such products provided the Uruguayan Government does not discriminate in any way against the commerce of the United States.”

Dawson

URUGUAY

611.3331/419 : Telegram

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

WASHINGTON, October 25, 1941—4 p. m.

282. Your no. 444, October 24, 11 a. m. It is hoped that in the course of your oral explanation to the Foreign Minister you indicated that the best way for Uruguay to assure itself of most-favored-nation treatment would be to enter into a trade agreement along the lines of our proposal.

With reference to your proposed note, some change is necessary if for no other reason than that the entire message, including the portion quoted, was transmitted in confidential code.

It is suggested that you inform the Foreign Minister that it is the established policy of your Government, pursuant to the pertinent provisions of the Trade Agreements Act, to extend the application of reduced rates of duty provided for in trade agreements with foreign countries other than Cuba to the like products of all countries, except that the President may suspend the application of such reduced rates of duty to products of any country because of discriminations against the commerce of the United States or other acts or policies tending to defeat the purposes of the Act. You may add that all trade-agreement rates of duty hitherto generalized have been made applicable to products of Uruguay and state that you have no reason to expect that there will be any change in this situation in connection with the trade agreement with Argentina. The President’s letter to the Secretary of the Treasury in regard to the generalization of rates of duty provided for in that agreement will be issued prior to November 15.39

HULL

611.3331/422 : Telegram

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

MONTEVIDEO, October 28, 1941—7 p. m.

[Received 8:33 p.m.]

454. Department’s telegram 282, of October 25. In the conversation in question I of course took advantage of the opportunity to point out to the Minister of Foreign Relations that the prompt conclusion of the proposed trade agreement was the best means of assuring most-favored-nation treatment for Uruguayan exports. We are urging this point of view on the Uruguayans and shall continue to do so.

39 Released to the press on October 31; Department of State Bulletin, November 1, 1941, p. 351.
With reference to my telegram 440 of October 20, Chapin, Glover and Gilmore met this morning with three Uruguayan representatives to resume informal discussions which we shall push as rapidly as possible. Following today’s meeting our present impression is that a mutually satisfactory formula assuring us most-favored-nation treatment as respects exchange control is the principal stumbling block and presents a serious problem which may require difficult and protracted negotiations.

If the Department could send Phelps or some expert with a knowledge of Spanish to Montevideo he could be of the greatest assistance to us. I request that the Department inform me whether it can send an expert and if so how soon he could arrive and how long he could stay.

Dawson

611.3331/422: Telegram

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

WASHINGTON, November 5, 1941—2 p.m.

296. Your 454, October 28, 7 p.m. Consideration continues to be given to the possibility of sending someone to assist you in bringing the trade-agreement negotiations to a conclusion. You will appreciate that, apart from other considerations, the Department would hesitate to send an officer from Washington unless assured that the Uruguays are disposed to cooperate wholeheartedly in bringing the negotiations to a successful conclusion as rapidly as possible.

Much of the delay seems to have resulted from failure on the part of the Uruguays to give prompt consideration to our proposals and submit specific counterproposals.

It is believed that there should be no great difficulty in regard to the general provisions or Schedule II. We have made our offers in Schedule II as liberal as we can make them, and the general provisions as proposed and as they appear with related notes in the agreement with Argentina represent not only what we would agree to if necessary in the case of Uruguay but also, in so far as exceptions are concerned, the ultimate to which we could go. If somewhat better general provisions in regard to such matters as exchange and quotas could be obtained without difficulty or undue delay, that would be desirable. However, in order to avoid any unnecessary delay it is suggested that you base future discussions on the Argentine text and pertinent related notes in so far as the latter apply to Uruguay’s situations; also that you make discreet use of the final

40 Eugene A. Gilmore, economic analyst attached to the Embassy in Uruguay.
41 Vernon L. Phelps of the Division of Commercial Policy and Agreements.
minutes worked out in connection with the Argentine agreement to cover similarly such points therein dealt with as the Uruguayans may be unwilling to incorporate in the general provisions or notes to be published.

Copies of the text of the Argentine agreement including related notes, together with an analysis thereof, and the unpublished final minutes are on the way to you by air mail. These texts are substantially the same as those enclosed with the Department’s instruction no. 295 of May 28, 1941.

The main problem appears to be the working out of a satisfactory Schedule I, and it is difficult to estimate how much of a task this may be in the absence of specific Uruguayan counterproposals. Such counterproposals would facilitate a decision in regard to the question of sending someone to assist the Embassy in the final stages of negotiations.

Hull

611.3331/425

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

No. 270 Montevideo, November 5, 1941. [Received November 12.]

Sir: I have the honor to refer to my telegram no. 440 of October 20, 4 p.m., and to report that informal negotiations were resumed on October 17 with the following Uruguayan representatives: Sr. Felipe S. Grucci, Director of the Section of Commercial Affairs of the Uruguayan Foreign Office, Sr. Silveira Zorzi of the Bank of the Republic of Uruguay, and Sr. Mario L. La Gamma of the Ministry of Finance. The representatives of the Embassy were Mr. Chapin, First Secretary, Mr. Glover, Commercial Attaché, and Mr. Gilmore, Economic Analyst.

Although it was evident at the first meeting that certain minor modifications would have to be made in Draft Schedule I prepared by the Department, in order to meet certain recent changes in wording in the Uruguayan tariff schedules, comparatively little difficulty is expected in reaching a mutually satisfactory accord on the wording and the coverage of the tariff concessions requested and those to be given to Uruguay. The word “comparatively” is used advisedly, since the first meeting once again emphasized the divergence between the point of view advocated by the United States of unconditional most-favored-nation treatment, which forms the basis for our whole trade-agreement program, and that of Uruguay which is based upon the principle of narrow bilateral commercial agreements.

The Uruguayan representatives have on every occasion reiterated their theoretical acceptance of the principle of multilateral trade with
unconditional most-favored-nation treatment, but have just as consistently stated that since the countries which form the most important outlets for their products have abandoned this system, have refused to recognize this liberal principle and have imposed the bilateral system upon Uruguay in binding agreements, they are unable to subscribe without reservation to the liberal principles advocated by the United States, particularly as they are contained in the provisions of Article IV of the current draft of the general provisions.

Moreover, it may well be that even were Uruguay free to adopt the principles which we advocate, the Bank of the Republic, which controls the economic life of the country, has found the present complicated system of exchange control so lucrative a source of revenue and such an advantageous weapon in its manipulation of Uruguay’s foreign trade that it would be reluctant to adopt in fact the principles to which it now gives lip service.

In the course of a second meeting on October 28 the Embassy’s representatives endeavored to set forth the advantages which our Government believes are inherent in the principle of unrestricted multilateral commerce. They pointed out as well that while it was desirable to construct an agreement which might have as permanent a character as possible, it was also clear that no one could foresee what course world economic conditions might take following the termination of present hostilities and that it seemed quite probable that all existing trade and commercial agreements would require some revision as soon as the post-war situation had begun to clarify. The escape features of Articles IV and XII were called to the attention of the Uruguayan negotiators but it cannot be said that they showed any disposition to recede from their position.

The Uruguayans were aware of the concessions granted by the United States in the exchange of notes supplementing the trade agreement recently signed with Argentina, exempting the British payments agreement from the provisions of Article IV, and they affirmed that Uruguay was in the same position as was Argentina with respect to sterling blocked balances. The representatives of the Embassy countered by requesting detailed information concerning Uruguay’s present sterling position and were informed that this information would be supplied. At the request of the chairman of the Uruguayan delegation a copy of the text of our note to the Argentine Government was furnished to the Uruguayan delegation. They stated that they would use this text as a basis for drafting a counter-proposal giving the Uruguayan interpretation of Articles IV and XII in the light of their own exchange situation.

At a third meeting held on November 4 the chairman of the Uruguayan delegation presented a memorandum together with two draft
notes, copies and translations of which are enclosed with this des-
patch. It will be observed from the text of the covering memo-
randum that the divergency in basic view points is still as wide as
ever. However, the memorandum brings out the rather ingenuous
argument that, since the United States is not in a position to accord
tariff concessions to Uruguay which have the relative importance of
those accorded to Argentina, it should be willing to allow greater lati-
tude to Uruguay with respect to its exchange-control policy. Spe-
cifically, the memorandum proposes that Uruguay consider itself
bound to give most-favored-nation treatment as respects exchange to
the United States only when the facilities available to Uruguay per-
mit it to do so. In effect, the wording of the second draft note is just
as loose as that.

The first note is modelled in general upon the exchange of notes
supplementing the Argentine Agreement, although here again the
wording is somewhat looser.

In accepting the memorandum and the draft notes, the representa-
tives of the Embassy stated that they were of course not in a position
to make any reply but would submit the text of the documents to the
Department for study. However, they did observe that, even in the
unlikely event that it were possible to make a specific concession of
this nature to Uruguay alone, it would probably prove impracticable
on the basic ground that such a concession, if given to Uruguay, would
have to be generalized to every other country entitled to most-favored-
nation treatment by the United States.

From the foregoing and from a study of the enclosures the De-
partment will realize the difficulty of reconciling the two points of
view and that a good deal of persuasion may be necessary before the
Uruguayan Government can be disposed to recede from its position.
In this connection it will be recalled that no original concessions of
any importance not covered in the Argentine Trade Agreement have
been offered by this Government to Uruguay. While persuasive argu-
ments by a trained specialist in trade-agreement negotiations may
be of some assistance in obtaining a modification of the Uruguayan
position, it is to be feared that unless we offer some special induce-
ment or bring some special economic pressure upon Uruguay it will
be very difficult, if not impossible, to obtain a satisfactory agreement.

Respectfully yours,

WILLIAM DAWSON

42 None printed.
The Ambassador in Uruguay (Dawson) to the Secretary of State

No. 271

MONTEVIDEO, November 5, 1941.

[Received November 12.]

SIR: I have the honor to refer to my despatch No. 270 of November 5 reporting on the state of the resumed negotiations for a trade agreement with Uruguay and particularly on the divergence of viewpoint which has been encountered over the proposal to extend complete most-favored nation treatment with regard not only to commodities but also with regard to exchange.

It will be observed from the draft notes submitted by the Uruguayan representatives at the third meeting on November 4 as a counter-proposal, that the Uruguayan representatives take the position that while subscribing to the principle of complete most-favored nation treatment, they have been forced to adopt the bilateral policy by the insistence of the European countries which constitute their principal purchasers, and that in particular they attribute this pressure to the policy of the United Kingdom.

The Embassy has reason to believe that the British Government has in fact exerted considerable influence upon the Uruguayan authorities and has on several occasions brought pressure to bear when the Uruguayan authorities seemed likely to grant more liberal treatment as regards exchange to Uruguayan imports from the United States, when these imports consisted of what are known as “American specialties” but which are competitive to similar British products. Even today when practically all coal imported into Uruguay must be purchased in the United States since shipping facilities are not available for this product to be imported from Great Britain, the British Legation in Montevideo has insisted that each order for coal first be cleared with the Commercial Secretary before being finally concluded.

A representative of the Bank of England and indirectly of the British Treasury, Mr. Phillimore, who has been covering Argentina, Uruguay, and Brazil, recently called at the Embassy when he frankly expressed the considerable interest of his Government in learning of the demands the United States might make in its trade agreement negotiations and specifically whether we might ask for liberal exchange treatment which would conflict with the provisions of the British Trade Treaty. He was informed at the time that the progress of negotiations was not such as to be able to give him any information of a concrete nature, but the frankness of his approach gives further evidence, if such were needed, that the British Government does not look with complete favor upon our efforts in this area.
at extending the basic principles of the Secretary’s liberal trade policy.

The thought has occurred to me, since as stated above the Uruguayan negotiators base their attitude primarily on their contractual obligations to Great Britain, that it might be helpful if the British Government could be induced to inform the Uruguayan Government that far from placing obstacles in the path of the negotiations between our Government and Uruguay, it looked with favor upon the extension of liberal trade practices and in fact would be prepared to relax some of the provisions of the existing trade treaty between Uruguay and the United Kingdom.

Although it is realized that little concrete has been accomplished in the plans for a post-war policy of trade cooperation and coordination between the British commonwealth of nations and the United States, according to the statements of the new British Minister in Montevideo, Mr. Stevenson, it appears that the British Government may have manifested some interest in the general proposal. In any event, it seems unlikely in view of the cooperation and assistance which we have been extending to the British Government that that Government would not wish in turn to cooperate with the United States in the extension of one of our most cherished policies in the inter-American field. I therefore venture the suggestion that the Department may wish to consider raising with the British Embassy in Washington our general aspirations in South America for the extension of liberal trade principles and more specifically inquiring whether the British Government would be disposed to inform the Uruguayan Government that it might reconsider certain of the provisions of its own trade treaty with Uruguay in order to facilitate the conclusion of the proposed United States trade agreement with Uruguay.

Respectfully yours,

WILLIAM DAWSON

611.3331/428

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

No. 290

MONTEVIDEO, November 11, 1941.
[Received November 18.]

Sir: I have the honor to refer to the Department’s telegram No. 296 of November 5, 1941, in response to the Embassy’s telegram No. 454 of October 28, reporting our impression that a satisfactory formula assuring us most favored nation treatment as respects exchange control is the principal stumbling block in the current trade agreement discussions and presents a problem which may require difficult and protracted negotiations.
In view of the statement in the Department’s telegram that:

“It is believed that there should be no great difficulty in regard to the general provisions or schedule two”

it should be emphasized that neither during the negotiations of 1939 nor at present have the representatives of the Uruguayan Government ever expressed—except in the most general and non-committal terms—a willingness to accord non-discriminatory exchange treatment to imports from the United States if this means relinquishing control over the exchange created by their exports to Great Britain and to certain other countries with which payments agreements are in force.

In spite of the more favorable dollar position of the Bank of the Republic at the present time as a result of our heavy purchases of Uruguayan products, the conversations so far have followed almost exactly the same course as those in 1939, and the Uruguayan representatives, notably Mr. Silveira Zorzi, had merely repeated in almost identical terms the views which they formerly expressed.

A résumé of the past negotiations regarding this aspect of the problem, as reported at the time by the Legation, may serve to make more apparent the impasse towards which the present conversations are believed to be tending.

The question of exchange treatment was raised very early in the 1939 negotiations. The following is a quotation of the relevant portions of the Legation’s memorandum of the meeting on January 17, 1939, between Mr. Fowler, Mr. Sappington and myself, and the Uruguayan representatives:

“Señor Silveira said that following yesterday’s meeting he had discussed the possibility of an agreement with the Directors of the Bank of the Republic and with the Minister of Finance, that they had canvassed the various possible suggestions to be made by the American Delegates, among them that contained in the memorandum presented this morning, and that the conclusion of the Uruguayan officials had been that it was not practicable for the Uruguayan Government to abandon its system of bilateral trade. He stated that he had been authorized to express the point of view of the Uruguayan Government at the meeting today in preliminary form and that this statement would subsequently be amplified and confirmed by a written memorandum in reply to the American memorandum, if desired. Mr. Fowler decided that in view of the very informal character of these discussions the preparation of a memorandum would not be necessary.

“Explaining the point of view of the Uruguayan Government, Señor Silveira Zorzi stated that it was prepared to admit that a

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44 William A. Fowler, Assistant Chief of the Division of Trade Agreements, and James G. Sappington of the same Division, sent by the Department to Buenos Aires and Montevideo to participate in trade agreement discussions.
reduction of import duties by the United States Government such as envisaged in the discussions of the previous day would increase Uruguay's exports to the United States. He added that the main cause of the present commercial difficulties was the high American duties, and that if they should be reduced Uruguayan exports to the United States would doubtless increase, and that under such circumstances an import quota would be assigned for American goods and the present difficulties would be over.

"He repeated the often-stated position of the Uruguayan Government that theoretically it favored multilateral trade, but because of pressure on the part of European nations, which together have purchased some 80 percent of Uruguayan exports, Uruguay was not in a position to engage in multilateral trade.

"Mr. Fowler pointed out that the memorandum proposed restriction of imports by classes of merchandise rather than by countries, and that the former plan would offer Uruguay ample opportunities for balancing payments. Señor Silveira Zorzi said, however, that this system did not provide exchange, and that its adoption would undoubtedly result in an immediate decrease of Uruguay's exports.

"Mr. Fowler stated that the British officials now in charge of foreign trade matters were not the same as those of a few years ago, and that he believed that they were willing to consider a more liberal treatment of the River Plate countries, and asked whether, in the event that the British Government should relax its pressure on Uruguayan exchange, the Uruguayan Government would be willing to consider the abandonment of the bilateral system. Señor Silveira Zorzi said, and was supported by Señor Grucci, that such a possibility was extremely interesting to the Uruguayan Government, and that if it existed the Government would be glad to give serious consideration to an alteration of its policy.

"Failing any alteration of policy, however, by the British Government, the American proposal was not acceptable at present."

Following this meeting the negotiations were in abeyance until the receipt of the Department's instruction No. 152 of June 28, 1939, transmitting the draft of the general provisions. On August 29, 1939 (Legation's telegram No. 58) there was reported the following reaction:

"The Minister (i.e. of Foreign Relations) said that unfortunately the American proposals were predicated on Uruguay's departing from its bilateral commercial policy but that he felt confident nevertheless that some form of agreement could be worked out saying that he was much interested in negotiating a trade agreement with the United States during his incumbency."

In the Foreign Office's note of October 8, 1939 (Legation's telegram No. 81) agreeing to a public announcement of intention to negotiate, there were contained the following significant statements:

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46 Not printed.
"The bilateral agreements which Uruguay has made with countries which at present purchase the greater part of its products are due, generally, to the desire of those countries that the exchange created by their purchases be devoted preferentially to the payment of the financial and commercial services which Uruguay owes them.

"The Government of the United States of America recognizes that our Government is compelled to exercise control over imports with a view to safeguarding the service of the foreign debt and other remittances of funds abroad and to protect the exchange rate of Uruguayan currency during period of foreign exchange difficulties.

"The Government of the United States recognizing the necessity of this measure, it is possible, in the opinion of the Uruguayan Government, that the control may be effected on the basis of quantitative regulation as suggested by the Government of the United States, it being admitted also that this system of regulation may be implanted without causing disturbances in the commerce which the Republic is maintaining with other countries, provided that action in this regard is exercised with the elasticity of viewpoint demonstrated in the memorandum under acknowledgment."

Perhaps the clearest reflection of the difficulties which impeded the past negotiations and are still a fundamental problem, is found in the Legation’s despatch No. 14 of November 8, 1939, reporting Minister Wilson’s conversations with Dr. Charlone, Minister of Finance, Sr. Vicente Costa, President of the Bank of the Republic, and Sr. Silveira Zorzi, Exchange Manager of the Bank. A copy of this despatch is enclosed. Dr. Charlone is no longer Minister of Finance, but Sr. Silveira Zorzi is taking an active part in the present negotiations.

At the meeting held on December 11, 1939, to discuss the general provisions, the following objections to the exchange control articles were raised by the Uruguayans (Legation’s telegram No. 126):

"2. Article 8: They state that under their treaty with Great Britain they are obliged, in case they restrict imports, to maintain as between different classes of British goods the proportions in which such classes of goods were imported in 1934 (see Article 9, Treaty of 1935, despatch No. 61, of August 15, 1935). They therefore propose to take 1934 as the ‘previous representative period’ in fixing the initial quotas. They believe this would cause no discrimination against United States trade and request our views. (Apart from the question of whether 1934 might be accepted as a satisfactory representative period for fixing the initial quotas, it occurs to us that if and when a situation arises in the future in which, in order to protect its exchange, Uruguay is obliged to reduce quotas, it will be most difficult if not impossible for Uruguay to satisfy both the equality of treatment provisions of our agreement and the special requirements referred to above in the British agreement)."

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*Not printed.

*Anglo-Uruguayan Trade Agreement signed June 20, 1935; for text, see Great Britain, Treaty Series No. 1 (1937), or Cmd. 5343.

*Despatch not printed.
"3. Article 10 [4]: They insist upon different exchange rates for different products, the rate for each product being the same for all countries (the arguments are generally similar to those used by Argentina). They mention the possibility that a single rate might be used for most products, freedom being reserved to Uruguay to use a second rate on a specified list of products.

"4. They insist that because Uruguay has so little freedom to dispose of exchange created by purchases by other countries, particularly Britain, it will be necessary to insert an escape clause to take care of a situation in which United States purchases from Uruguay might fall to such a low point as to make it impossible in fact for Uruguay to comply with the provisions of the agreement; in other words, a provision whereby, if such a situation arises, Uruguay can denounce the treaty. In this connection they refer to the reservation made by the United States regarding modification of concessions should the agreement with Argentina be terminated (paragraph No. 3 Department’s 72, November 16—6 p. m.\(^5\)) and suggest that both questions might be dealt with by modification of Article 18."

The termination of the negotiations on January 6, 1940, left these problems unsolved.

It is true that the draft of the general provisions as revised for the present negotiations provides more liberal escape features and should, in our opinion, meet the objections raised by the Uruguayans in the earlier discussions. As indicated in the Embassy’s despatch No. 270 of November 5, 1941, however, these concessions to the Uruguayan viewpoint have apparently served only to prompt a request that Uruguay be allowed in effect to continue the complete latitude with respect to the allocation of exchange for American products that has heretofore been exercised. Reference is made also to the Embassy’s telegrams Nos. 163 (April 22, 1941) and 440 (October 20, 1941) reflecting the emphasis laid upon the exchange control articles of the general provisions in the current negotiations.

Respectfully yours,

WILLIAM DAWSON

611.3331/427: Telegram

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

Montevideo, November 14, 1941—7 p. m.
[Received November 14—6:34 p. m.]

477. Please see my despatch 271 of November 5, regarding effect of British commercial agreement on our current negotiations with Uruguay and suggesting possibility of approaching British Embassy in Washington on the matter.

\(^5\) Reference is to telegram No. 72, November 17, 1939, 6 p. m., not printed.
If the Department perceives no objection I should like to discuss the whole matter with the British Minister here along the lines indicated in my despatch.

Dawson

611.3331/431a: Telegram
The Secretary of State to the Ambassador in Uruguay (Dawson)

WASHINGTON, November 27, 1941—6 p. m.

324. Embassy’s despatch no. 270 of November 5, 1941, and telegram no. 477, November 14, 7 p. m.

1. For your confidential information, British postwar commercial policy in so far as it affects the United States is now being discussed in both London and Washington in connection with the negotiation of a lend-lease agreement 52 and exploratory discussions relative to a supplementary trade agreement with the United Kingdom and trade agreements with certain of the Dominions. Therefore, the Department feels that you should refrain from taking up this matter officially with the British Minister at this time. However, should the opportunity present itself, the Department perceives no objection to your discussing the matter with him in general terms on an informal basis.

2. It is not our intention to seek in a trade agreement with Uruguay more rigorous assurances of nondiscriminatory treatment than we obtained in our recent agreement with Argentina; more particularly, we would not expect to include therein provisions which would require a modification of Uruguay’s war-time payments arrangement with the United Kingdom. What we do hope to obtain is formal recognition on the part of the Uruguayan Government of the basic principles of nondiscriminatory treatment and multilateral trade with assurances that it will, on the coming into force of the agreement, abolish existing discriminations against imports of American origin other than those excepted in the two proposed exchanges of notes as was done in the case of Argentina. Even these we would expect to have eliminated as rapidly as circumstances permit.

3. It would appear that Uruguay’s present trade position and import control system would permit its acceptance of general provisions and related notes substantially the same as those contained in our agreement with Argentina. As regards this point, please report specifically what modifications, if any, of Uruguay’s present import control system and contractual obligations would be necessitated by its acceptance of general provisions and related notes

52 See vol. III, pp. 1 ff.
similar to those in our trade agreement with Argentina. In this connection, the Department perceives no good reason why Uruguay should continue in force contractual commitments to certain countries other than the United Kingdom, if such commitments, which have become practically inoperative because of the war, stand in the way of the conclusion of a trade agreement with the United States embodying the principles of nondiscriminatory treatment.

4. Accordingly, unless you perceive objection, you should inform the appropriate Uruguayan authorities in the sense of the foregoing and state that therefore the Department, while prepared to accept the same reservations on Uruguay’s part as are contained in the two exchanges of notes accompanying the trade agreement between the United States and Argentina, nevertheless feels that it cannot agree to a further reservation such as that embodied in the third exchange of notes proposed by the Uruguayan authorities. Such a reservation might in certain circumstances be construed as in effect completely nullifying the proposed provisions of the agreement relating to nondiscriminatory treatment by Uruguay of American commerce. However, you should state that if, following the coming into force of the agreement, any circumstance should develop in Uruguay’s commercial relations with a third country which it considered, because of the commitments in its trade agreement with the United States, had the effect of prejudicing the commerce of Uruguay, the Government of Uruguay might invoke paragraph 1 of Article XII of the proposed general provisions.

5. With reference to the Uruguayan statement that the trade agreement concluded recently between the United States and Argentina accords the latter nation advantages which do not benefit Uruguay, you should point out that the tariff concessions granted by the United States to Argentina apply to products which in 1939 and 1940 accounted for 62 and 35 percent, respectively, of the value of total imports for consumption into the United States from Uruguay. In this connection, you should also emphasize that the conclusion of a trade agreement between the United States and Uruguay would provide a contractual basis for the continued extension to Uruguay by the United States of the benefit of the tariff concessions made by the United States in existing trade agreements with Argentina and other countries, as well as any concession on fine wools which the United States might at some future time grant in a trade agreement with the principal supplier of these wools.

6. A revised text of the proposed note regarding preferences by Uruguay to the United Kingdom, enclosed with your despatch under reference, will be forwarded by air mail shortly.

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

No. 395

Montevideo, December 13, 1941.
[Received January 21, 1942.]

Sir: I have the honor to transmit herewith two copies of a memorandum embodying the counter proposals of the Uruguayan Government with respect to Schedule 1 of the pending Trade Treaty, which has just been received. For obvious reasons it has been impossible to prepare a translation, but to avoid a delay, the copies are transmitted as received.

The original of this memorandum was submitted to us in a meeting held on December 5, 1941 between Dr. Guani, Foreign Minister, Señor Felipe S. Grucci, Director of the Section of Commercial Affairs of the Uruguayan Foreign Office, and representatives of the Embassy. The attached memorandum (Enclosure No. 2) embodying the substance of paragraphs 2, 3, 4 and 5 of the Department's telegram No. 324 dated November 27, 1941, 6 p.m., was handed the Foreign Minister at this meeting. It is believed that there is now virtual agreement on the general provisions, although no official communication has as yet been received. It was indicated, however, that the Uruguayan Government may be disposed to recede from the position taken in the second note transmitted to the Department as enclosure to despatch No. 270, dated November 5, 1941.

In order to expedite further negotiations, it is requested that the Embassy be authorized by telegraph to accept such of the counter proposals to Schedule 1 as may appear possible.

Respectfully yours,

For the Ambassador:

Selden Chapin
First Secretary

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611.3331/432: Telegram

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

Montevideo, December 17, 1941—7 p.m.
[Received December 17—6:10 p.m.]

558. Department's telegram no. 324, November 27, 1941, and Embassy's despatch 395, December 13. Silveira Zorzi of the Bank of the Republic indicated today during an informal conversation that a note regarding preferences to sterling area containing same reservations on Uruguay's part as are embodied in exchange of notes accompanying agreement with Argentina would be acceptable.

54 Not printed.
With reference to paragraph number 6 of the Department's telegram no. 324, please telegraph that portion of text of proposed note which differs from corresponding Argentine note.

It is believed that the views expressed today by Zorzi indicate that the Uruguayan Government is now prepared to accept our position with respect to the general provisions and related notes and that a statement to this effect will be officially communicated to the Embassy at a meeting with appropriate officials, arranged for December 22. If the Department does not find it necessary to insist upon more than a very limited number of improvements in the concessions offered in the Uruguayan counterproposal to schedule I transmitted with my despatch under reference it is believed that negotiations can be terminated within the near future.

Certain necessary clarification of nomenclature included in aforementioned counterproposal together with Embassy's recommendations will be submitted in subsequent telegram.

Dawson

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611.3331/432: Telegram

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

WASHINGTON, December 20, 1941—3 p. m.

369. Embassy’s no. 558, December 17, 7 p. m.

1. It is not clear from the first paragraph of your telegram under reference whether the Uruguayan Government would now accept the exact text, *mutatis mutandis*, of the Argentine exchange of notes regarding preferences to sterling area. Such a text would be acceptable to this Government.

2. Revised text of proposed note referred to in paragraph no. 6 of Department’s telegram no. 324 transmitted in Department’s instruction no. 185 of December 15 and should reach you shortly. This alternative text would likewise be acceptable.

Hull

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611.3331/436: Telegram

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

MONTEVIDEO, December 22, 1941—9 p. m.

[Received December 23—3:15 a.m.]

567. At this morning’s meeting the Uruguayan subcommittee orally agreed to recommend to the Cabinet that our proposed general provisions with the exception of article 2 be accepted if accompanied by the related notes described below:

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* Instruction No. 185 and its enclosures not printed.
1. Note based on text of Argentine note regarding preferences to contiguous countries with the addition of the words “and Bolivia and Paraguay” following the phrases “to a contiguous country” and “to contiguous countries” in sections 1 and 2 of the last substantive paragraph. Wherever they appear the words “and Peru” will be omitted. There will of course be other changes in terminology consistent with the two foregoing amendments. These modifications are designed to permit Uruguay to accord permanent tariff preferences and temporary exchange preferences to Bolivia and Paraguay as well as to contiguous countries. Pursuant to convention No. 8 contained in the Final Minutes of the Regional Conference of the River Plate Countries (transmitted with the Embassy despatch No. 778 of February 8, 194156) Uruguay’s [apparent omission] contend that they must insist on including such a reservation with respect to tariff preferences in all future trade agreements.

2. Note based on Argentine note regarding exchange preferences to sterling area. Although the alternative referred to in the Department’s telegram No. 369 of December 20 was received too late for today’s meeting it undoubtedly will be acceptable to the Uruguayans.

3. As regards article 2, Uruguayans propose the addition of a second paragraph as follows:

“The provisions of this article relating to national treatment shall not apply to taxes imposed by the Oriental Republic of Uruguay on pharmaceutical specialties, toilet and perfumery products, cigarettes, cigars, fortified wines, vermouth, champagne, matches, and playing cards.”

It may be explained that the existing internal taxes levied upon the above-enumerated products of national origin are slightly lower than those imposed on similar articles of foreign origin. The subcommittee expects to meet no the[sic] serious difficulties in securing the Cabinet’s approval of the above proposals and therefore hopes to subject [submit?] a formal memorandum to the Embassy in confirmation thereof not later than December 24.

Dawson

611.3331/437: Telegram

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

Montevideo, December 24, 1941—7 p. m.
[Received December 24—6:50 p. m.]

580. Embassy’s telegram No. 567, December 22. Memoranda presented to Embassy this afternoon by Foreign Office confirm oral acceptance of our proposed general provisions contingent upon our

56 Not printed.
willingness, first, to add a paragraph to article II along general lines of that described in paragraph 3 of Embassy’s telegram under reference, second, to suppress paragraph 1 of article XVI and, third, to amend note regarding preferences to contiguous countries to include Bolivia and Paraguay (see paragraph 1, Embassy’s telegram No. 567).

Uruaguayans contend that their basic customs law does not permit any consideration of intent in connection with errors in documentation. (See Embassy’s despatch No. 897 of April 23, 1941.) It is pointed out, however, that the customs regulations permit an importer to examine, weigh, and extract samples from shipments before beginning clearance proceedings. The Department’s early reaction to the Uruguayan proposal with respect to the inclusion of Bolivia and Paraguay in the contiguous country note would be appreciated.

Dawson

611.3331/439: Telegram
The Ambassador in Uruguay (Dawson) to the Secretary of State

MONTevideo, December 26, 1941—3 p. m.
[Received December 26—2:51 p. m.]

584. Embassy’s telegram No. 577, December 24, 5 p. m. As regards the comment contained in the Uruguayan counterproposal with respect to automobiles, it may be noted that with the net duty on a Chevrolet weighing 1,380 kilos amounting to 633 Uruguayan pesos on the basis of the reduced rate offered in the Uruguayan counterproposal, it will be found that their contention that this amount of duty is equivalent to that imposed by Argentina is without foundation. As a matter of fact the Uruguayan duty charges would continue to be almost double those provided for in the Argentine agreement. It is therefore recommended that the Embassy be authorized to make a determined effort to obtain a greater reduction of duties on automobiles.

Dawson

611.3331/437: Telegram
The Secretary of State to the Ambassador in Uruguay (Dawson)

WASHINGTON, December 31, 1941—7 p. m.

390. Embassy’s nos. 567, December 22, 9 p. m. and 580, December 24, 7 p. m.

1. You are authorized (1) to add to Article II the paragraph contained in paragraph No. 3 of your 567 under reference; (2) to delete paragraph 1 of Article XVI provided the Uruguayan Government

*Not printed.*
will, in a note which need not be made public, give assurances that sympathetic consideration will be given to claims of American exporters resulting from the imposition of customs penalties (see pages 3 and 4 of the Department’s instruction No. 295 of May 28, 1941).

2. With reference to the proposed note regarding preferences to contiguous countries, you should point out that we naturally desire to restrict the area of possible preferences as much as possible; that we are therefore reluctant to extend the reservation regarding preferences to include countries not contiguous to Uruguay; and that in our recent trade agreement with Argentina the reservation regarding tariff preferences was restricted to countries contiguous to Argentina. Nevertheless, in view of Convention VIII, Final Minutes of the regional conference of the River Plate countries, and other special circumstances, this Government is disposed to agree to extend the reservation regarding both tariff and exchange and quota preferences to include Paraguay and Bolivia, subject to a Final Minute providing for prior consultation with this Government regarding any new or increased preferences on articles of interest to the United States, as was done in the case of Argentina.

3. A draft text of an exchange of notes embodying the foregoing and other appropriate changes will be forwarded by air mail as soon as possible.

4. Instructions will also be forwarded shortly covering certain minor changes in the general provisions made necessary or desirable by recent developments.

HULL

NEGOTIATIONS FOR AN AGREEMENT ON PURCHASE OF EXPORTABLE SURPLUSES OF WOOL AND HIDES IN URUGUAY

811.20 Defense (Wool)/298a : Telegram

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

WASHINGTON, September 9, 1941—3 p. m.

226. The Federal Loan Agency is prepared to enter into an agreement with the Uruguayan Government whereby, upon the establishment of an export control system prohibiting the export of wool and hides from Uruguay except to the United States, to other American republics having systems of export control satisfactory to the Government of the United States, and to the British Empire, the Federal Loan Agency will agree to purchase the entire exportable surpluses of wool and hides in Uruguay other than that purchased by United States private trade, the other American republics and the British Empire. The agreement would take the form of a commitment by the
Loan Agency to buy a fixed amount of the products in question at prices slightly under the current market price. These fixed maxima would be in amounts corresponding to the total exports of the products in question for the preceding year. The obligation of the Loan Agency would thus, in effect, be to take the entire exportable surplus not required by other approved purchasers. As you are no doubt aware, negotiations are now under way for the purchase by the Federal Loan Agency of various Argentine products, including hides and wool, under an agreement to be in substantially the form suggested above.

Prices would have to be established for each of the various grades of wool and hides, and there would probably be certain grades which would have to be excluded from the agreement for quality reasons.

You are requested to consult with the appropriate Uruguayan authorities and to inquire whether such an agreement is acceptable in principle to them. If it is, the Federal Loan Agency will designate some one in Montevideo or will send some one there to collaborate with you in negotiating the agreement.

**Hull**

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811.20 Defense (Wool)/310: Telegram

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

Montevideo, October 1, 1941—1 a.m.

[Received 10:43 a.m.]

411. Department’s telegram 226 of September 9. Our proposal was submitted to the Foreign Office in a note dated September 9 and shortly thereafter I had an opportunity to discuss it with Guani and the President. The latter’s immediate reaction was that while the proposal was interesting Uruguay’s commercial treaty with Japan might prove an obstacle. No reply has thus far been received from the Foreign Office. However, the Foreign Office expert handling the matter tells me confidentially that in his opinion the establishment of the export control system which we propose would be inconsistent with Uruguay’s commercial treaties with Japan and Sweden. He has in mind presumably the provisions of article 3 of both treaties for the texts of which see the Legation’s despatches 674 of July 17, 1934, and

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88 See vol. vi, section under Argentina entitled “Negotiations for an agreement on the purchase of exportable surpluses of strategic materials from Argentina.”

99 Alberto Guani, Uruguayan Minister for Foreign Affairs.

90 Alfredo Baldomir.

322 of September 10, 1936. The official in question expressed himself as sympathetic to our proposal and suggested that some round-about way might be found of placing it in effect such as for instance an agreement on the part of producers to sell only to the United States, other American Republics and the British Empire. Such an arrangement would hardly appear satisfactory. I shall report further as soon as a formal reply or any other information of interest is received.

Dawson

811.20 Defense (Wool)/810: Telegram

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

WASHINGTON, October 23, 1941—11 p.m.

278. Reference your 411, October 1. Has a report been received from the Foreign Office? The Department agrees with the suggestion that an agreement between the producers and Defense Supplies Corporation would not be satisfactory. The commercial treaties referred to in your 411 are concerned chiefly with customs duties, and it appears to the Department that it would not be inconsistent with those treaties for the Uruguayan Government to enter into an agreement with Defense Supplies Corporation and the British Government agreeing to sell to them a specified amount of hides and wool of certain grades, which amount would be in excess of the recent production of Uruguay. The agreement would also provide that the Uruguayan Government would not be under liability for failure to obtain and sell the maximum amounts of hides and wool specified; its obligation being restricted to a commitment to use its best efforts to cause the respective amounts of hides and wool to be produced and sold to Defense Supplies Corporation and the British Government. The agreement would not contain a provision for export control prohibiting the export of hides and wool to countries other than the United States and Great Britain, but by reason of the size of the commitment to those two countries, the agreement would have the effect of causing the entire production of hides and wool to be made available to the United States and Great Britain. You are requested to explore the possibility of such a solution with the Uruguayan authorities and to telegraph the Department.

Chargeable to Defense Supplies Corporation in accordance with Section V-45, Foreign Service Regulations.

Hull

62 Neither printed.
The Ambassador in Uruguay (Dawson) to the Secretary of State

Montevideo, October 25, 1941—1 p. m.
[Received October 25—12:03 p. m.]

448. Department’s telegram 278 of October 23. No reply has been received from the Foreign Office. I raised the matter again a few days ago with Guani who told me that he was discussing it with the Bank of the Republic. I acquainted him yesterday with the solution proposed in the Department’s 278 which he is going to study. In our conversation yesterday he told me that he had requested the Uruguayan Embassy in Buenos Aires to obtain information as to the status of our negotiations with Argentina regarding the similar proposal submitted to that country.

I have the distinct impression that Guani desires to cooperate with us and in order to expedite matters I suggest that the Defense Supplies Corporation cable its representative in Buenos Aires, Thomas J. Williams, authorizing him to proceed to Montevideo when I so request.

Dawson

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

Montevideo, December 1, 1941—5 p. m.
[Received 5:11 p. m.]

509. My telegram No. 448, October 25, 1 p. m. Following conversations along the lines of Department 278, October 23, 11 p. m., Uruguayan authorities appear favorably disposed to some such solution providing it can be made more concrete.

Based upon the advice given Gilmore in Buenos Aires by Williams who has been conducting Argentine negotiations, I suggest that I be authorized to submit the following concrete proposal.

The Defense Supplies Corporation would agree to buy for one year from the Uruguayan Government or such agency as the latter may designate the entire exportable surplus of wool and hides at prices prevailing in the principal United States markets at the time of the offer. Grades and qualities would be left for later determination it being understood as in the case of our agreement with Argentina that we will include certain grades and qualities of wool and of hides normally of little interest to American consumers.

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*Presumably Eugene A. Gilmore, economic analyst attached to the Embassy in Uruguay.*
In view of existing treaty obligations Uruguay will not establish any export control for these products but will place the total exportable surplus at our disposal.

I also request authority to offer a commitment similar to that in the Argentine Purchase Agreement to the following effect:

"Upon the conclusion of an agreement covering the proposed purchase of wool and hides the Government of the United States will take all necessary steps to guarantee, to the fullest extent compatible with national defense, that the Republic of Uruguay will be supplied with all essential raw materials and manufactured products which are indispensable for its economic and industrial life."

Dawson

ATTITUDE OF THE DEPARTMENT OF STATE TOWARD URUGUAYAN REQUEST FOR ASSISTANCE IN COMPLETING RIO NEGRO HYDRO-ELECTRIC PROJECT

833.6463/51

The Uruguayan Minister for Foreign Affairs (Guani) to the American Chargé in Uruguay (Chapin)\(^{64}\)

[Translation]

Montevideo, May 5, 1941.

MR. CHARGÉ D’AFFAIRES: In view of the impossibility, on account of the blockade, of bringing from Germany turbines, generators and other elements necessary for the hydroelectric plant on the Rio Negro, as you are no doubt aware, the Government is attempting to find a solution to this serious difficulty which seriously prejudices the national economy and the industrial development of the country.

Accordingly, negotiations are now taking place in the United States for the urgent manufacture of the essential machinery for the installation. Difficulties have been encountered recently because of the defense program and the restrictions imposed by your Government for the free supply of raw materials, particularly metal.

For these reasons, the Chancellery expresses to the Chargé d’Affaires its hope that your Government, convinced of the vital importance of the above mentioned installation, will lend its good offices with respect to the United States firms for a priority manufacture of the said machinery and making available to this end metals to the total of 8,500 tons as soon as possible.

I reiterate [etc.]

A. GUANI

\(^{64}\)Copy transmitted to the Department by the Chargé in Uruguay in his despatch No. 939, infra.
URUGUAY

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

No. 939

Montevideo, May 7, 1941.
[Received May 15.]

Sir: I have the honor to refer to a voluntary report of March 28\textsuperscript{65} from this office and to the Department’s instruction No. 192 of December 18, 1940\textsuperscript{66} with regard to the Rio Negro Hydroelectric Project in Uruguay and to transmit herewith for the Department’s information a copy of a note, dated May 5, 1941,\textsuperscript{67} with its enclosure \textsuperscript{68} which were received on May 5 from the Uruguayan Minister for Foreign Affairs.

At Dr. Guani’s instance, I called at the Foreign Office yesterday and discussed with him this request of the Uruguayan Government for our assistance in making available one hydroelectric unit and equipment for the Rio Negro Hydroelectric Project. In view of the Department’s instruction under reference which endorsed the observation made by Minister Wilson in his despatch No. 672 of November 19, 1940,\textsuperscript{69} I told Dr. Guani that, while I would be delighted to transmit this request to the Department, I felt that there was certain other information which my Government would need before it could give full consideration to the Uruguayan request.

This information, I said, covered the following points:

(1) Indication of the firm or firms in the United States from which it was proposed to acquire the desired material.
(2) Whether the purchase of material was to be made by the German syndicate or by the Uruguayan Government itself.
(3) If the purchases were to be made by the Uruguayan Government, would the material be transferred to the German syndicate for installation and control.
(4) In other words, could the Uruguayan Government give assurances that the proposed purchases would be treated as a separate contract for its own account and remain under its own control completely separate and independent of the basic contract between the Uruguayan Government and the German syndicate.
(5) That it is taken for granted that there would be no difficulty with respect to exchange as it might affect the general import trade from the United States in view of the large balances of dollar exchange now available in Uruguay.

In conclusion, I pointed out to Dr. Guani that, while I knew that the Government of the United States was always disposed and even anxious to tender its cooperation to the Uruguayan Government

\textsuperscript{65} Not printed.
\textsuperscript{66} Foreign Relations, 1940, vol. v, p. 1174.
\textsuperscript{67} Supra.
with respect to a project of such importance to the country when it might be undertaken by the Uruguayan Government itself, I did not feel that my Government would be disposed to assist in any project which might help German firms to maintain their position in Uruguay, since this would be tantamount to aiding directly totalitarian agencies which might later work against the best interests of our two countries.

Dr. Guani said that he felt that the considerations which I had advanced were quite understandable and entirely reasonable, and in my presence he telephoned the director of the Rione (Rio Negro Project Administration) and put to him confidentially the first four of the points set forth above. While I naturally could hear but Dr. Guani’s part of the conversation, it was very evident that the Administration had not given any thought to the political aspects of its requests. I inferred that the Administration had rather ingenuously taken for granted that the United States Government would be willing to export the desired material even though it were to be turned over to the German engineers and technical men now at work on the Project.

Dr. Guani, upon terminating his telephone conversation, said that he would call a meeting of all the interested Uruguayan Government officials for this morning at eleven o’clock, since he felt that he must explain the situation personally to the Rione Administration and to the Minister of Public Works. He added that he himself felt that the original contract with the German syndicate had been a very unfavorable one for Uruguay, and that, in view of the manifest impossibility of the German syndicate to carry out its contract at the present time, he felt that whatever the provisions of the contract, the Uruguayan Government had the right to insist upon its cancellation. He emphasized the importance of the Project for the economy of the country, and said that the continued delay was a source of serious prejudice to Uruguay. He inquired whether, in the event that the contract were entirely cancelled, it might be possible to obtain a loan from the Export-Import Bank to complete the Project. I replied that, while I did not know what the obligations of the Export-Import Bank were at the moment, and, while of course I could not speak without consulting the Department, I believed that I could say as my personal opinion that our Government would be glad to give sympathetic consideration to such a request for assistance for Uruguay, provided we had assurances that the German interests had been definitely eliminated from the Project.

When I left, Dr. Guani said that he would call me immediately after the meeting and give me the answers to the points which I had

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68 Luis Giorgi.
raised with him, so that they might be included in a despatch for the airmail pouch leaving today. This he has not done, and it may be assumed that he has encountered temporary difficulties in obtaining the desired assurances with respect to the ultimate destination and control of the material which the Rione desires to purchase in the United States.

Respectfully yours,

Selden Chapin

833.9463/53

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

No. 946 Montevideo, May 10, 1941.

[Received May 19.]

Sir: I have the honor to refer to my despatch No. 939 of May 7, 1941, transmitting a copy of a note received from the Minister for Foreign Affairs requesting certain assistance in connection with the completion of the Rio Negro Hydroelectric Project in Uruguay.

As stated in my despatch, I approached the Minister for Foreign Affairs informally for supplementary information which I stated our government would need before it could give full consideration to the Uruguayan request. There is enclosed a copy and translation of a memorandum of May 8 transmitted to me by the Minister for Foreign Affairs attempting to reply to the specific points which I raised with him.

It will be noted that although the Uruguayan Government gives assurances that the proposed purchases of hydroelectric equipment in the United States are for its own account rather than that of the German syndicate and will be treated as a separate contract for eventual control by the Uruguayan Government, these assurances do not, in the Legation’s opinion, cover the question of continued German participation in the project. In particular, although it states that the proposed contract with United States firms would be similar to the present contract with the German syndicate and “exclusively for the execution of works made by the Uruguayan Government itself”, the Uruguayan Government does not venture to communicate to our government a copy of the contract with the German Consortium. Finally, it may be observed that although the purchase from the United States of hydroelectric equipment and its installation on the project would no doubt be a direct primary benefit to the Uruguayan Government, the point is not made clear that it would not be an indirect benefit to the German Consortium.

70 Not printed.
Accordingly, the Legation feels that the United States Government would be well within its rights if it informed the Uruguayan Government that before giving any final consideration to the request, it should be furnished with a copy of the original contract between the Uruguayan Government and the German Consortium, together with copies of such subsidiary agreements or understandings as may in any way depend therefrom.

Up to the present time, since it is without any specific instructions from the Department, the Legation has not felt authorized to go so far as to insist upon obtaining a copy of the contract, but it now strongly recommends that the Department instruct it to do so before proceeding to any final decision in the matter.

Respectfully yours,

Selden Chapin

883.0468/49a: Telegram

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

WASHINGTON, May 10, 1941—6 p. m.

77. The Uruguayan Minister has inquired whether this Government would intercede in order to assist private manufacturers with whom the Uruguayan Government is now in touch to obtain the necessary equipment to complete the Rio Negro hydroelectric project.

Without approaching any government authorities please endeavor to ascertain at once the precise size and number of such generators and turbines and any other description which you can obtain of the other equipment desired. In addition it is essential that we know the approximate date on which the Uruguayan Government would require delivery of this equipment.

For your information the Department's present view is that it will only interest itself in securing the required priorities and export licenses provided the completion of the project is entrusted to American engineers.

Please telegraph reply.

Hull

883.0468/50: Telegram

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

MONTEVIDEO, May 14, 1941—6 p. m.

[Received 7:52 p. m.]

190. Department's 77, May 10. Legation's despatches 939 and 946, May 7 and 10 giving particulars of official Uruguayan request for assistance in the Hydroelectric Project together with the Legation's observations thereon should reach the Department shortly.

n José Richling.
Since the matter was raised I have again discussed the matter with Guani and he has promised to furnish the technical details of the machinery and equipment desired. As regards delivery he said no date had been set because the Rione had no means of determining how long the construction of the equipment which is to follow special specifications, no doubt originally drawn by German engineers, would take in American plants, but that the turbine and equipment were desired as soon as possible.

I emphasized that Rione's statement forwarded in my despatch 946, May 10 did not appear to satisfy fully our inquiries with regard to the relationship between the proposed contract and that between the Uruguayan Government and the German syndicate particularly respecting the continued presence of Germans on the project. The Minister for Foreign Affairs informed me that he would clarify this matter in the next few days in a memorandum.

Although the Uruguayan Government has indicated that it would be prepared to consider the contract as a separate one to be completed by American engineers it is not clear from the Department's telegram whether this assurance would be sufficient or whether the Department predicates its assistance on the grounds that the entire contract be awarded to an American company, thus eliminating German influence entirely. In any case as suggested in my despatch the Legation believes that the Department may desire to insist upon obtaining a copy of the original contract with the German syndicate before making final decision.

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883.6463/52: Telegram

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

MONTEVIDEO, MAY 17, 1941—noon.

[Received 12:47 p.m.]

195. My number 190, May 14, 6 p.m. Guani handed me last night a note verbale containing the promised memorandum from Rione clarifying the relationship between the Uruguayan Government and the German Consortium with regard to the Rio Negro Hydroelectric Project. Although the Rione memorandum has already been sent to the Uruguayan Minister in Washington for presentation to the Department, the Legation is forwarding copies in today's airmail pouch.²

The Department's attention is especially invited to items 2 and 5 of the Rione's memorandum from which it is clear that while the proposed contract with American interests for 1 turbo generator and

² Despatch No. 970 and enclosed note verbale, not printed.
equipment is considered a separate contract the Rione does not contemplate the elimination of German interests in other phases of the project and that in fact German personnel will continue to work on the project.

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833.6463/50: Telegram

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

WASHINGTON, MAY 17, 1941—9 p. m.

88. Your 190, May 14, 6 p. m. The Department has not yet received the second of the despatches mentioned and cannot, consequently, comment fully. It is the Department’s view, however, that it would not be enough for the Uruguayan Government to consider the proposed contract a separate one to be completed by American engineers. The Department feels that the German influence must be eliminated entirely.

The Department has the copy of the public contract with the German syndicate which was published in the Diario Oficial of April 16, 1937, but it understands that there is in addition a confidential contract. Please inform the Foreign Minister that the Department would require copies of all contracts and commitments entered into with the German syndicate before making final decision.

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833.6463/54: Telegram

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

MONTEVIDEO, MAY 20, 1941—6 p. m.

[Received 7:36 p. m.]

200. Department’s telegram No. 88, May 17, 9 a. m. [p. m.] Yesterday I again discussed with Guani the Rio Negro Hydroelectric Project and informed him that the Department would require copies of all contracts and commitments entered into with the German Syndicate before making final decision. I said that although the Department had not yet received my last two despatches especially the one transmitting the memorandum clarifying the relationship between the Uruguayan Government and the German Consortium, the Department had indicated that it would not feel inclined to assist in the matter until “German influence had been eliminated entirely.”

Guaní said that if by “influence” the United States meant “participation” what [it was] asking was in effect a total rescission of the German contract and that although such a course was possible theoretically in the case of “unreasonable delay” the German Government

73 See first paragraph of the Chargé’s telegram No. 195, May 17, noon, p. 599.
had already made clear what interpretation is placed on the words “unreasonable delay” in the cancellation clause and had made it known that a rescission of the contract now would be considered by the German Government as a direct affront—a step which Uruguay was obviously not prepared to undertake.

The whole interview was friendly and although Guani professed that the fulfillment of a separate contract by an American firm would not materially assist the German interests, it was clear to me that he realized that his arguments were not very forceful. In conclusion he reiterated that the turbo generating equipment was of vital interest to Uruguay, again expressing the hope that the Department might be disposed to accept the Uruguayan Government’s contention that German influence would be eliminated from the proposed American contract and to assist Uruguay after it had had an opportunity to examine the memorandum transmitted with my despatch 970, May 17. 24

Chapin

833.0463/54: Telegram

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

WASHINGTON, MAY 24, 1941—7 p. m.

97. Your 200, May 20, 6 p. m. The Department has received from the Uruguayan Minister the memoranda of Rione and the Ministry of Foreign Affairs. In order to consider the matter further this Government will have to ascertain whether it will be possible in connection with our own defense program to make this type of material available to Uruguay, provided that proper agreement with respect to the German interests is reached. In order to do this it is necessary to have exact information, with particular reference to the hydraulic machinery, electrical machinery, electrical implements and power line materials needed. The information transmitted with your despatch no. 939 of May 7 refers only to the weight in tons of the equipment. The Department in addition must have full detailed specifications including the size and capacity of the generators, the number of generators and turbines, and so forth. The voluntary report on the hydroelectric project mailed May 18, 1939 24 by the Consulate gives certain incomplete technical specifications which may or may not have been changed in the intervening 2 years.

The Department requests that you airmail immediately as full technical specifications as possible, and that you telegraph at once the summary specifications of the principal turbines, generators and other large items required.

Hull

24 Not printed.

426323—62—39
The Chargé in Uruguay (Chapin) to the Secretary of State

Montevideo, June 20, 1941—11 p. m.
[Received June 21—3:42 a. m.]

256. Department's No. 97, May 27 [24], 7 p. m. The Minister of Foreign Affairs has just informed me that as a result of a recent Cabinet decision as to the Rio Negro, administration was sending Director General Luis Giorgi to the United States and that he will take the specifications for machinery desired together with copies of the contracts, agreements, et cetera. Giorgi expects to depart July 2 by plane to Washington to be followed by an assistant, Juan Rezzano.

When I pointed out that my Government had indicated that it will not be inclined to assist in the Project until German influence had been eliminated, he said that he understood the situation and had made it clear in the Cabinet meeting. He intimated that the Rione administration was unable or unwilling to understand our views and that he had therefore washed his hands of the matter allowing the representative of the Rione administration to proceed to the United States to learn what Guani tried to make clear to him here.

Chapin

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

Washington, June 25, 1941—7 p. m.

133. Your 256, June 20, 11 p. m. The Department has been discussing the Rio Negro project with the Uruguayan Minister here and on June 7 gave him an informal memorandum 25 which he a few days later transmitted by airmail to the Ministry of Foreign Affairs. This memorandum made it clear that no discussions could profitably take place unless it were clear that the entire German influence was to be eliminated.

The Department at the same time indicated that it would be necessary to devise some American consortium to undertake the work, and of course to get priorities clearance. The latter matter is still under discussion with the Office of Production Management, while Mr. Simmons of the General Cable Company is informally considering the possibility of getting together a suitable group to undertake the project.

There is no lack of technical information here, since Mr. Simmons has the complete detailed specifications, and the discussion at this point is entirely on a policy level.

25 Not printed.
It consequently would not appear necessary for any technicians to come from Uruguay. While this Department will of course welcome the visit of the Director of the Rione, it feels that his visit might more opportunely be made later when the basic decisions have been taken and when it would be appropriate to discuss matters of detail.

For your confidential information the Uruguayan Minister concurs in this view.

Welles

833.6463/57: Telegram

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

Montevideo, July 15, 1941—9 a.m.

[Received 11:17 a.m.]

299. Department's 183, June 25, 7 p.m. Although the substance of the Department's telegram was conveyed [not?] only to the Minister of Foreign Affairs but orally to Señor Giorgi himself, Giorgi, who had already made plans and who informed Chapin that he had intended to take up other business in the United States, left on the Pan American plane on the 12th via west coast and is proceeding directly to Washington.

Dawson

833.6463/59: Telegram

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

Montevideo, July 27, 1941—11 a.m.

[Received 3:54 p.m.]

322. President Baldomir sent for me yesterday to discuss various matters including the pending request of the Uruguayan Government for equipment to place the Rio Negro Project in partial operation. I explained our position carefully with particular reference to the Department's opinion that the Uruguayan Government should abrogate that portion of the present contract pertaining to generating equipment, et cetera. The President said that he does not see how Uruguay could do so for the following reasons: Clause 57 of the contract gives the contractors the clear right to delay fulfillment in case of war. When the war broke out the German Consortium had ready for shipment much of the generating equipment for which the Uruguayan Government had already advanced over 4,000,000 pesos.

The President and his legal advisers are convinced that if Uruguay were to cancel the contract the Consortium would demand repayment
in full and probably damages, and that any court of law would uphold the German claim. He estimates that cancellation would expose Uruguay to eventual losses of from 15 to 20 million pesos. He intimated that rather than run such a risk it might be better to suspend work entirely until after the war.

The President asked me specifically to inform the Department that nothing in the contract contemplates any German participation or influence in the operation of the project once it is completed. He said that Giorgi has the contract in his possession in Washington.

For reasons already known to the Department the Uruguayan Government is extremely desirous of placing the project in partial operation as soon as practicable in view of an impending power shortage which will be acute by the middle of 1943 or earlier. If we were disposed to furnish the limited equipment requested (with proper guarantees of course for the temporary elimination of all German influence) our action would I believe assist the Uruguayan Government politically, contribute to a long-range solution of the fuel and shipping problems, give us a bargaining point which we could use to advantage, and help counteract the impression encountered in official and business circles that Uruguay has not been given all the consideration which it deserves in return for its wholehearted support of our policies.

Dawson

833.6463/66

The Department of State to the Uruguayan Embassy

MEMORANDUM

The Government of the United States has studied carefully the request of the Government of Uruguay for assistance in the completion of the Rio Negro hydroelectric project, in order to satisfy the urgent requirements for electric power for the city of Montevideo. The Department of State on June 7, 1941 handed the Uruguayan Minister an informal memorandum, outlining the general basis on which discussion of such possible assistance might go forward. Since that time a group of United States companies has discussed in a preliminary way with technical representatives of the Uruguayan Government and with the appropriate agencies of the United States the technical and engineering aspects of the problem, including, especially, possible delivery schedules for the material which would be required, such schedules being considered in relation to the requirements of

78 Not printed.
national defense. Such discussions have resulted in a tentative understanding on a proposed schedule of delivery between the manufacturers of the equipment and the appropriate agencies of the United States.

In view of the general progress which has been made in all of the technical matters mentioned in the memorandum of June 7, 1941, the Department is now in a position to submit the following bases for the continued discussion of the request of the Uruguayan Government:

1. The present German consortium would complete the civil engineering work on the dam by January 1942.
2. All German personnel in Uruguay would be at that point removed from any further connection with the project.
3. A United States consortium now being formed would undertake to engineer the project, to manufacture and deliver the material to be exported from the United States, to provide engineers to supervise the installation and placing in operation of one generator unit, one transmission line, and the main sending and receiving substations, and accessory equipment and materials. The Uruguayan Government would undertake to supply all materials not exported from the United States and to install and erect under the supervision of the engineers supplied by the consortium such material so supplied together with materials supplied by the consortium. Details of this undertaking would be worked out between the Uruguayan Government and the United States consortium. The United States consortium would undertake, with the approval of the appropriate agencies of the Government of the United States, and the cooperation of the appropriate agencies of the Uruguayan Government, to complete the engineering design of the plant and manufacturing of the material to be exported from the United States within two years from signing of contract, subject, however, necessarily, to the emergency needs of this Government's own national defense and of the other countries which this Government is aiding against aggression.
4. The Export-Import Bank of Washington would be prepared to discuss appropriate credit facilities for materials and services to be furnished by the United States consortium.
5. A United States Government representative would be appointed to represent the Government and particularly the Export-Import Bank to facilitate the carrying out of the project.
6. No immediate decision would be taken with regard to the three remaining generating units and the second transmission line and associated equipment, but the United States consortium would be given an option good until January 1, 1943 to undertake this additional work, subject to the proviso that the United States consortium will agree not to exercise the option up until December 1, 1942 if the Uruguayan Government informs it that exercise of the option before that date would not be convenient. If the option is taken up, the contract with the German consortium would immediately be entirely abrogated. The United States consortium and the United States Government would, of course, be protected by the Uruguayan Government, in case of any claims arising out of this arrangement.
7. Under no circumstances would German and United States personnel work on the project at the same time except such engineering studies as may have to be carried on by the engineers of the United States consortium. If the United States consortium should not undertake to exercise the option under 6, no foreign group would be permitted to engage in any construction included in the project until the United States consortium has completed the first generating unit and transmission line.

Washington, August 29, 1941.