The proposed Inter-American Conference for the Maintenance of Peace and Security in the Hemisphere

Memorandum by Mr. Carl B. Spaeth, Special Assistant to the Assistant Secretary of State for American Republic Affairs (Braden)


I notice that the Brazilian Ambassador is seeing you at 11 o'clock. With regard to his memorandum of January 8, the following points might be made:

1) We feel that the Uruguayan initiative requires full discussion and that it seems almost inevitable that it will be discussed at least informally at Rio. This would not, however, involve a formal addition to the agenda.

2) We do not feel that the mere fact of difference of opinion on the proposal should result in its exclusion from any inter-American meeting. The inter-American process would become very sterile indeed if controversial subjects were to be excluded.

3) It is our view that Argentina was to benefit by participation in the permanent Act of Chapultepec only if she complied with the other provisions of the Final Act of Mexico City. Argentina has not met her responsibilities under the Final Act of Mexico City. She is therefore not entitled to the benefits of the Act, including participation in the inter-American mutual assistance pact.

1 Continued from Foreign Relations, 1945, vol. ix, pp. 154–171. For complementary information on Argentina, see post, pp. 182 ff.
2 Carlos Martins Pereira e Sousa.
3 Not printed; in this memorandum, the Brazilian Government indicated opposition to any enlargement of the agenda of the proposed conference and expressed a preference for the inclusion of Argentina in the conference (710 Consultation 4/1–846).
4 The Uruguayan proposal on human rights; for documentation, see Foreign Relations, 1945, vol. ix, pp. 185 ff.
Memorandum by the Assistant Chief of the Division of Brazilian Affairs (Braddock) to the Director of the Office of American Republic Affairs (Briggs)

[WASHINGTON,] January 22, 1946.

We are approaching an impasse as regards holding the Conference in Rio de Janeiro in April since the circumstances that led to postponement of the earlier scheduled Conference remain the same:

1) Argentina has been invited to the Conference.
2) The United States will not sign a defense pact to which the present Argentine Government is a signatory.

It is my understanding that we propose to let Brazil work out this unfortunate situation as best she may, without taking any responsibility ourselves for requesting or suggesting a new postponement.

At the meeting of the Pan American Union in November which provided for fixing a new date for the Conference, the United States seems to have led other American Republics, or at least Brazil, to believe that we would be willing to attend the Conference at the later date. Since it now appears that as a result of our continued stand regarding Argentina, the Rio Conference cannot possibly succeed (unless in the meantime a government should emerge in Argentina which we are willing to accept), I submit that the initiative in seeking a new postponement of the Conference should be properly ours and that Brazil should not be expected to assume the responsibility for this unpopular step.7

D BRADDOCK

Memorandum by the Assistant Secretary of State for American Republic Affairs (Braden)8

[WASHINGTON,] January 26, 1946.

With respect to the attached memorandum 9 from Mr. Braddock, I yesterday suggested to Phil Chalmers before he left that he discuss the

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7 A marginal notation by Philip Chalmers of the Division of Brazilian Affairs reads as follows: "I agree. We can scarcely expect future cooperation from Brazil if we let her 'hold the bag' on this one. PC".
8 The following notation by the Director of the Office of American Republic Affairs also appears in the margin: "This ignores reasons why we won't do business with Perón, but this is no doubt position Brazil would take. B.
9 Addressed to A-Br: Mr. Wright, Mr. Duran, and Mr. Spaeth, and to ARA: Mr. Briggs and Mr. Butler.
10 Supra.
proposed Rio Conference with Ambassador Berle along the following lines:

1. In not being willing to sign the proposed treaty with the present Argentine regime, we are standing on two points, viz., (1) to do so would make a mockery of the treaty itself, and (2) knowing what we do of Perón and company, we would be lacking in self-respect and dignity.

2. We now enjoy the friendship of the Argentine people that we have [not?] had in generations, certainly since Sarmiento’s time. Were we to sign the proposed treaty with the Argentine Government, we would lose this friendship and, together with it, the friendship and respect of those genuinely democratic elements throughout the rest of Latin America who are our only true friends and only real guarantee for the future.

3. We seek a real solidarity of all the twenty-one republics and this we would not have in signing the treaty and thus encouraging the present Fascist regime.

4. I said that we were thoroughly alive to the difficult position in which Brazil finds herself and have racked our brains for a solution, and that so far as I could see the solution would consist in the other American republics and Brazil, in particular, taking our forthcoming exposé of the Nazi connections of the Farrell-Perón government as a basis. Too often, I said, our Latin friends are disposed to adopt an excessively charitable and courteous approach in these matters, whereas they should view the situation from the hard-boiled point of view of the facts in the case, and that, by following this latter course, Argentina could properly be excluded from the Conference.

Spruille Braden

710 Consultation (4) 2-146

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

[WASHINGTON,] February 1, 1946.

Participants: A—Br—Mr. Braden
ARA—Mr. Briggs
Mr. C. B. Pearson, Canadian Ambassador

During a call on Mr. Braden on February 1 on other matters, the Canadian Ambassador mentioned the pending Rio Treaty, indicating

10 Adolf A. Berle, Ambassador in Brazil.
11 Domingo F. Sarmiento, President of Argentina, 1868-1874.
12 See section under Argentina entitled “The Issuance by the Department of State of the Blue Book . . . .”, pp. 182 ff.
that the clause in the United States draft making possible adherence by Canada (but not mentioning Canada by name) is entirely satisfactory to his Government. He expressed his appreciation of our courtesy in making a copy of the draft available for the confidential information of his Government.

Ambassador Pearson then inquired concerning the prospects for holding the Rio Conference, and Mr. Braden outlined to him the present situation, including our views relative to the Argentine situation.

E. O. B[riggs]

710. Consultation 4/2–246: Telegram

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

SECRET

WASHINGTON, February 6, 1946—6 p. m.

187. Urteil 238, Feb. 2. Your understanding correct that US will not negotiate or sign with present regime in Argentina a treaty to implement Act of Chapultepec. However this Govt remains disposed at any time to negotiate and sign such a treaty with all American Republics except Argentina.

US has not requested and will not take initiative of requesting further postponement of Conference. If Brazil is not prepared to hold Conference without Argentina, then US would agree to suggestion of postponement by Brazil, but we would in that case insist that announcement of our attitude be withheld until after a substantial number of other republics have likewise accepted postponement proposal. As you will readily understand the reason for our putting the matter this way is that we wish to avoid any misinterpretation of our views along the lines that “the US has again suggested postponement”. In short, we will go along with postponement but do not wish to be put in position of taking lead; there is no reason we should do so since our position has been clear since last October.

The foregoing was drafted prior to the receipt of urteil 246 and you may now communicate the substance of our views to the ForMin, along with an expression of our appreciation of the position in regard to general matters which he has informed you Brazil proposes to follow.

We expect to complete our statement of the Argentine case at a very early date.

BYRNES

14 Not printed.
15 João Neves da Fontoura.
PROPOSED INTER-AMERICAN CONFERENCE

835.00/2–1546 : Telegram

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

SECRET

WASHINGTON, February 20, 1946—8 p. m.

248. Embtel 327, Feb. 15. Please express our appreciation assistance offered by FonMin and inform him that our position is as follows:

1. The information which we have submitted to other American republics in our memo fully justifies and compels our refusal to sign mutual assistant pact with Farrell-Perón Govt or with any Govt controlled by same elements.

2. We confidently believe that, after other American republics have had an opportunity to analyze information which we have presented, they will take same position and will jointly refuse to conclude mutual assistance pact with Farrell-Perón Govt or with any Govt controlled by same elements.

3. Our position would not be affected if Perón, by whatever means, is elected next Sunday. Such an event certainly would not remove grounds for distrust which are at foundation of our case, and might well call for even greater caution on part of other American republics.

4. It is of greatest importance that American republics indicate their position on issue of confidence in Perón, if elected, before any further action or decision is taken with respect to Rio Conference. We believe that if a substantial majority of the Republics jointly declare their lack of confidence in a Perón Govt, such declaration (a precedent for which exists in Res 59 at Mexico) would suffice to exclude Argentina from participation in treaty and to permit ready reconstitution of Conference. With Perón Govt excluded we would wish to go forward with the treaty as soon as possible.

You should stress that mere postponement of Conference in order to avoid embarrassment of decision with regard to Perón Govt would fall far short of needs of situation and responsibility of inter-American system. Such a postponement would mean a failure of the American republics to face squarely the most important issue before them. If American republics lack confidence in one of their number because latter aided and continues to protect our enemies, they should openly declare that lack of confidence and not allow it to block their constructive action. It would, indeed, be ironical if non-cooperation of a single Govt were permitted to block achievement by the other 20.

Furthermore, the inter-American system should take the first and decisive action in handling this problem, as proof to the world organization that our regional system can function as contemplated by the UN Charter.

If for any reason you feel it would be undesirable to deliver foregoing message to FonMin, please cable your comments.

Post, p. 212.
In general relation to Brazilian position, for your background information only, we are concerned over indications, supported by urdes 4109 Jan 28, 1946,27 that since 1942 Brazil has been inclined to favor existence in Arg of type of Govt which would be incapable of full cooperation with US, as means of maintaining a favored position for Brazil. It is reported that Aranha 28 tacitly admitted that some such motivation inspired Brazil's hasty recognition of military regime in 1943. We hope it is not true but we would appreciate your judgment whether any such inclination exists currently.

Byrnes

710. Consultation 4/3-946: Circular telegram

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

secret

WASHINGTON, March 9, 1946—8 a.m.

Please seek interview at earliest opportunity with FonMin to say following to him, covering which a closely paraphrased aide-mémoire should be left:

(1) Irrespective of outcome of Argentine elections, which were no factor in this Govt's preparation and submission to other American republics of memorandum concerning Argentina 29 handed to Chiefs of Mission here on Feb 11, it is the firm position of Govt of United States that evidence of complicity with the enemy of elements which dominate Farrell-Perón Govt is so overwhelming that it compels our refusal to sign mutual assistance pact with any Govt in which those same elements play a principal role.

We are not concerned with what type of Govt Argentine electorate chooses for itself, but rather with specified elements in whom confidence is entirely lacking.

(2) We believe that sufficient time has passed for Govts to have studied our memorandum and you should say that we would welcome Govt's official expression of views and recommended action thereon as early as possible. Included in the reply which the Govt may wish to make on our memorandum, we in particular would desire its views on conclusion of mutual assistance pact with a Govt controlled by elements such as those described in our memorandum. You should express the hope that the Govt's reply will be one which it will itself publish or authorize this Govt to publish as part of the general consultation.

(3) Once views of all of American republics have been expressed and made public as contemplated by (2) above, consensus of opinion

27 Not printed.
28 Oswaldo Aranha, former Brazilian Minister for Foreign Affairs.
29 Known as the "Blue Book": Department of State, Consultation Among the American Republics With Respect to the Argentine Situation (Washington, 1946).
of Govts of all American republics concerned will be available in clear and concise form.

In event Govt to which you are accredited has already submitted its reply, you should discuss matter in an appropriate way with FonMin and inquire from him whether his Govt plans to make its reply public and express hope that, if that not be the case, he authorize this Govt to do so.

Byrnes

CONFIDENTIAL

Memorandum by the Assistant Secretary of State for American Republic Affairs (Braden)\(^{20}\)

[WASHINGTON,] March 13, 1946.

At the meeting of the Governing Board of the Pan American Union this afternoon all representatives voted in favor of postponement, excepting Panama and Venezuela. The Chilean made the following statement:

"The Government of Chile attributes the greatest importance to the celebration of the Treaty on Reciprocal Assistance and American Solidarity recommended in Resolution VIII of the Inter-American Conference on Problems of War and Peace, which is known as the Act of Chapultepec, since it considers that the said treaty would be the crown of the inter-American system and because if it is not concluded before the official termination of the state of war, we shall be in the position in which the Act of Chapultepec loses its effectiveness and is juridically annulled.

"Nevertheless the Government of Chile is in accord with postponing the Conference of Rio de Janeiro on the understanding that this would be no more than postponement.

"The Government of Chile also concurs in leaving the host Government of Brazil free to fix the new date on which the conference will be convoked."

Subsequently, the Ecuadoran Ambassador moved that the Chilean statement be accepted as declaration of the sentiment of the meeting. Immediately thereafter I stated that my instructions were to go along with the majority whatever way they should determine the question. Since it was evident the majority favored postponement, we likewise accepted this decision, but I did wish to take the opportunity to second the motion of the Ecuadoran Ambassador in respect of the Chilean statement.

Spruille Braden

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\(^{20}\) Addressed to the Secretary of State, the Under Secretary, the Counselor of the Department and to Mr. Leo Pasvolsky, Special Assistant to the Secretary of State.
RESTRICTED

RIO DE JANEIRO, April 1, 1946—8 p. m.

U.S. URGENT

[Received April 2—12:49 a.m.]

609. Memorandum dated April 1 handed me late this afternoon by Foreign Minister in reply to our memoranda on Argentine situation. Full text in translation follows:

"1. By memorandum of March 11th last,24 the Government of the United States of America manifested the desire to know the opinion of the Brazilian Government on the American memorandum delivered to the Brazilian Embassy in Washington on February 11th last,25 and on the possibility of concluding a pact of mutual assistance with an Argentine Government controlled by elements mentioned in the 'Blue Book'.

"2. The Brazilian Government has studied with most careful attention all the declarations of the 'Blue Book' and is sincerely convinced of the just importance which the American Government attributes because of their political significance, to the documents published. Likewise Brazil, which participated in the war and was for so many years under the menace of a Nazi-Fascist victory, shares the same preoccupation which determined in this case the attitude of the Department of State. The Brazilian Government, however, cannot avoid the thought that with the consummation of the military victory of the United Nations against the totalitarian Axis the revelations of the aforesaid report—all concerning activities carried on by the enemy or by other governments of an attitude then undefined—lose in part their frightening character, and it does not appear to it that they require of the American nations a different, more accentuated course of action beyond a constant yet prudent vigilance. The Brazilian Government therefore is not inclined to believe that Nazi-Fascist doctrines crushed at their centers of irradiation can encounter in the Western Hemisphere a propitious climate for new and dangerous adventures, above all since the United States hold the secret of the manufacture of the most deadly weapon of war until today known. At the same time the Brazilian Government is sincerely convinced that if in spite of the painful experience which humanity has just undergone the American Continent should find itself once more threatened the nations of the hemisphere would find in the provisions of the charter of San Francisco, especially in Chapter 7, the formula necessary for the preservation of their peace and their security.

"3. With reference to the second question of the American memorandum the Brazilian Government reaffirms its desire that there be signed as soon as possible in the present circumstances a pact of mutual assistance between the nations of the hemisphere. Evidently the aforesaid instrument will have effective value in the task of the consolidation of peace only if it is signed by all of the American nations as an expression of continental unity which was always the idea of all of the

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24 See circular telegram from the Secretary of State, March 9, 1946, p. 6.
25 The "Blue Book".
advocates of Pan-Americanism simply as a result of the very designation of the system.

"Therefore to exclude any of the American Republics from participation in that act, decisive for the destiny of the Americas, would have the effect of nullifying in great part its political and military significance. The Brazilian Government, which the United States has always found at its side in so many decades of uninterrupted friendship, would not desire then to contribute to the exclusion of the Argentine Republic from the celebration and signature of the pact.

"4. The Brazilian Government does not feel at liberty to enter into an analysis of the elements which are going to comprise the new Argentine Government, since publicly all the parties which participated in the last election, the final results of which are not yet definitely known, proudly declared that the public pronouncement was free and clean. With the government which may emerge from the electoral count the Brazilian Government will continue therefore the usual diplomatic relations without this implying the least disagreement with the Government of the United States of America or weakening to the slightest degree the political solidarity of Brazil with the great nation of which it was an ally in the war and at whose side it desires to cooperate in the task of reconstructing the world. The invariable dedication of the Brazilian Government to the cause of continental unity leads it to assure the American Government that it is disposed to exert all its efforts in the sense of finding a formula capable of conciliating the superior interests of hemispheric defense and best adapted to the support of continental concord and solidarity."

Foreign Minister said text of memorandum would be released to Rio de Janeiro press Thursday afternoon, April 4, for afternoon papers. He requested that no release of memorandum be made in Washington prior to that time.

DANIELS

710 Consultation 4/4-146: Circular telegram

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

TOP SECRET WASHINGTON, April 1, 1946—midnight.

Please see FonMin at once and submit memo embodying text quoted in immediately following circular telegram and stating that if majority of Govts agree with our position we propose to make a public statement thereof on or about Apr 8. Memo should add that we hope Govt to which you are accredited will authorize us to express its concurrence with our position or will make a public statement along similar lines on same date.

ACHESON

26 This circular was sent to Buenos Aires and to Port-au-Prince "as secret information only".
27 Infra.
WASHINGTON, April 1, 1946—11 p. m.

1. In Oct 1945 this Govt within the framework established by the Inter-American System initiated consultation with the other American republics concerning the Argentine situation and in connection therewith issued a memo now commonly known as the Blue Book.

2. In initiating such consultation the US was not animated by any feeling of hostility towards the Argentine people. On the contrary it was the desire of the US to strengthen the friendly relationships between the people of US and the people of Argentina by bringing into the open those conditions which had caused the Govt of US great embarrassment and concern in its relations with the then Govt of Argentina. It was also the desire of the US that the other American Republics should know the conditions which caused this embarrassment and concern so that it would be clear that the US was acting in defense and not in derogation of the principles of the inter-American system.

As Secy of State Byrnes stated in his address before Herald Tribune Forum on Oct 31, 1945:

'We believe other nations have a right to know of our own deep attachment to the principles of democracy and human rights, our profound belief that Govts must rest upon the free consent of the governed; and our firm conviction that peace and understanding among nations can best be furthered by the free exchange of ideas.

'While we adhere to the policy of non-intervention, we assert that knowledge of what other people are thinking and doing brings understanding; and understanding brings tolerance and a willingness to cooperate in the adjustment of differences. . . .

'The policy of non-intervention in internal affairs does not mean the approval of local tyranny. Our policy is intended to protect the right of our neighbors to develop their own freedom in their own way. It is not intended to give them free rein to plot against the freedom of others. . . .

'If, therefore, there are developments in any country within the inter-American system which, realistically viewed, threaten our security, we consult with other members in an effort to agree upon common policies for our mutual protection.'

3. The consultation respecting the Argentine situation initiated by the US raised the question whether the proposed inter-American

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\textsuperscript{28} Repeated to Buenos Aires and Port-au-Prince for information only. This telegram was marked "approved by Secretary Byrnes". Text of telegram was released to the press April 8, and frequently referred to as the April 8th statement. A circular telegram of April 8 indicated that a majority of the American Republics concurred in the position set forth herein (710 Consultation 4/4-846).
Mutual Assistance Treaty should be negotiated with the participation of the Farrell Govt of Argentina in view of its failure to fulfill its obligations and commitments under the inter-American system.

4. To date, in the consultation respecting the Argentine situation initiated by the Govt of US, replies have been received from less than half of other American Republics. Some of these answers entirely agree with views expressed by US; others emphasize the changed position resulting from the recent election. All of the Govts so far heard from join with the US in their dedication to the following principles and objectives:

(1) The ‘unity of the peoples of America is indivisible’ and ‘the Argentine nation is and always has been an integral part of the union of the American republics.’

(2) The security of the Hemisphere is of paramount importance and will be materially enhanced by the negotiation and signature of a Mutual Assistance Treaty at the projected Rio de Janeiro Conference.

5. While it is not clear that the election will remove the conditions which prompted the Govt of US to initiate a consultation on the Argentine situation, the Govt of US does not believe that the people of Argentina intended to approve the continuance of conditions which would threaten the safety of the inter-American system.

6. A new constitutional Govt will soon be inaugurated in Argentina. The Govt of US feels that it expresses the sentiments of all its sister Govts in declaring its fervent hope that when that newly elected Govt takes office and its congress meets, it will give prompt implementation by positive acts to its solemn commitments under the Inter-American System, in particular, those undertaken in Final Act of Inter-American Conference on Problems of War and Peace. Those undertakings are plain and unequivocal. They require the elimination from this hemisphere of Axis influences which have threatened the security of inter-American system.

Were such unequivocal and sustained performance to ensue, the road would then be open to that ‘complete unity of the peoples of America,’ and the negotiation and signature of a Mutual Assistance Pact. But there must be deeds and not merely promises.

7. The military assistance commitments undertaken by the US under Act of Chapultepec will terminate with expiration of War Powers Act in this country. It is to benefit of all of American republics that a treaty of mutual assistance be negotiated and signed at earliest possible date.

To do this, it is proposed that at next meeting of Governing Board of Pan American Union a committee of its members be appointed to coordinate the five draft treaties, which have been under consideration,
together with such other suggestions as may then be received, into a single document.

This document would in due course be presented to Rio Conference.

We hope the Conference can be called to meet after new Govt of Argentina has been installed and has had a reasonable time to comply with promises made at Mexico City. When it has complied we feel satisfied the American Republics will welcome that Govt’s participation in the treaty of mutual assistance.”

ACHESON

710. Consultation 4/4-346 : Telegram

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

SECRET

PANAMA, April 3, 1946—3 p. m.
[Received 6:40 p. m.]

234. ReDeptel April 1, midnight and Depcirtel April 1, 11 p. m. requesting views of Pan Govt re proposed public statement concerning Arg situation which Dept proposes to release on or about April 8. In an interview with FonMin at noon today he authorized me to advise my Govt that Pan Govt concurs generally with Dept’s views with exceptions as follow:

Pan advocates appointing immediately committee consisting of representatives of countries which have prepared draft treaties and not to await next meeting of Governing Board of Pan American Union which might delay Rio Conf which Pan believes should be held at as early date as possible with Arg in attendance and that mutual assistance agreement should be negotiated because this projected multilateral treaty would lose in great measure its interest and its value if rep of Arg does not take part in it.

A copy our memo and FonOff’s reply will be forwarded probably tomorrow. FonMin read me draft of his reply.

HINES

710. Consultation 4/4-346 : Telegram

The Ambassador in Costa Rica (Johnson) to the Secretary of State

TOP SECRET

SAN JOSÉ, April 3, 1946—5 p. m.
[Received 8:18 p. m.]

146. Deptcirtel April 1, midnight. Just submitted memo to MinFonAff. MinFonAff immediately stated his entire agreement with position taken by Dept and authorizes Dept to express agreement of

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29 Ricardo J. Alfaro.
30 Neither printed.
31 Julio Acosta García.
Costa Rica with our position. He added that if Argentine Government does not give prompt implementation to its commitments under Inter-American System, it will then be time for further consultation between American Republics.

JOHNSON

710 Consultation 4/4-446: Telegram

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

[Extract]

RESTRICTED

Bogotá, April 4, 1946—4 p.m.
[Received April 5—4:30 a.m.]

271. Foreign Minister 32 just informed Counselor 33 that Colombia is in complete accord with contents of Department's circular telegram April 1, 11 p.m., concerning Argentina. He said he had just telegraphed Colombia diplomatic representatives in other American republics that Colombia is in full accord so they could express that viewpoint to the various governments in an effort to aid US in securing satisfactory response from them. He said Ambassador Santamaria had been telegraphed to express Colombia's complete approval to Department so that it could be stated in published statement by Department that Colombia is in agreement. . . .

WILEY

710. Consultation 4/4-646

The Ecuadoran Ministry for Foreign Relations to the American Embassy in Ecuador 34

[Translation]

MEMORANDUM

QUITO, April 6, 1946.

The Ministry of Foreign Relations thanks the Embassy of the United States of America for having brought to its attention in the memorandum of the third instant the text of the declaration which its Government proposes to publish on or about April 8, 1946 on its position relative to the Argentine case.

The aforesaid projected declaration has been carefully studied by the Ministry of Foreign Relations, whose points of view with respect to the problem in question were brought to the attention of the Gov-

32 Fernando Londoño y Londoño.
33 Gerald A. Mokma.
34 Copy transmitted to the Department in despatch 4108, April 6, 1946, from Quito; not printed.
ernment of the United States by means of a memorandum dated at that time, March 30 last.26

The Government of Ecuador agrees with that of the United States of America in the desire that the American Republics may formulate a joint declaration on such delicate matter. Of course, the text of such declaration should be the object of careful consultation to the end that its terms may faithfully express the unanimous thought of the American Republics.

From a study of the declaration which the Government of the United States proposes to make it is deduced that it contains various points of view which do not coincide with those expressed by the Government of Ecuador during the course of the consultation on the Argentine situation, therefore, this Government regrets that it cannot adhere to it. In order to set out the Ecuadorian position publicly, the Ministry of Foreign Relations will give to the press for its publication on April 8, 1946 copies of the memorandum of March 30 which was delivered on that date to the Embassy of the United States.

710. Consultation (4) /4–646 : Telegram

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

RESTRICTED

SANTIAGO, April 6, 1946—1 p.m.

US URGENT

[Received 3:20 p.m.]

365. Following is translation of reply of FonOff to Emb memo embodying Deptcirs April 1, 11 p.m. and midnight:

"Ministry for FonAff has noted with special interest memo No. 2879 of Emb of US dated April 3, 1946 26 and in reply has honor to indicate its conformity to procedure suggested, that governing board of Pan American Union at its next meeting appoint committee of its members to coordinate in a single document, and taking into account new suggestions which may be received opportunely regarding matter, the drafts which have been prepared for treaty on mutual assistance, intended to give permanent form to part II of Act of Chapultepec, which document will be presented in due course to conference to be held at Rio de Janeiro.

Ministry for FonAff has also taken note of position maintained by Govt of US regarding convocation of conference of Rio de Janeiro and participation of Govt of Argentina in treaty of mutual assistance, as well as of its proposal of making public statement with regard thereto on or about April 8, in which it would like to be joined by Govt of Chile. On date indicated Ministry for FonAff of Chile will be agreeable to making statement on subject in terms in harmony with unchanging sentiments of continental solidarity and good neighborliness of firm adherence to permanent desirability of peace and general

26 Not printed.
security and to democratic principles which inspire Govt of Chile, as well as with opinions which Ministry expressed to Embassy of US in its memo No. 2568 and note verbale No. 2569 of March 26 last.”

Bowers

710. Consultation 4/4-646: Telegram

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

CONFIDENTIAL
U.S. URGENT

LA PAZ, April 6, 1946—7 p.m.
[Received 10:08 p.m.]

292. Foreign Minister personally handed me 1-page memo on Argentine consultation at 7 p.m. Résumé as follows:

1. Reiterated its memo of Dec. 27, 1945 to this Embassy re erroneous or incomplete information on political situation of American countries which cause judgments [not in?] accordance reality.
2. As it is principal interest strengthen American solidarity based on agreements atmosphere of misconfidence must vanish.
3. San Francisco Security Pact in order to have regional manifestation in mutual assistance treaty must not exclude any of its members so as to guarantee its effectiveness.
4. Bolivian Govt feels new conditions for finding complete continental solidarity have arisen as result Argentine elections.
5. Bolivian Govt declares it will continue to maintain same cordial relations with Argentine Govt as has marked its policy towards all nations of the Continent.

Adam

710. Consultation 4/4-746: Telegram

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

US URGENT

HABANA, April 7, 1946.
[Received 6:30 p.m.]

275. Following is translation of release issued by Cuban MinState late April 6 for publication April 7 since there are practically no newspapers in Cuba on Mondays.

“The MinState Doctor Alberto Inocente Alvarez has received a memo from the Embassy of the US concerning the Argentine situation and the negotiation of a treaty of mutual assistance at the projected conference of Rio de Janeiro.

The MinState has replied to the memo of the Embassy of the US fixing the position of Cuba in this question consistent with the following points:

1. The Govt of Cuba orients its foreign policy on cardinal juridical bases and considers that international law should be progressively

37 Neither printed.
38 The Acting Foreign Minister, Col. José Celestino Pinto.
more positive in order to guarantee inter-American solidarity and promote reciprocal benefit, the ability of peace, and the security and progress of the American Republics.

2. The Govt of Cuba agrees with the Govt of the US with respect to these two principles:

   a. The unity of the peoples of America is indivisible and the Argentine nation is, and has always been, an integral part of the Union of the American Republics.

   b. The security of the hemisphere is of paramount importance and will be strengthened in a material manner by the negotiation and signature of a treaty of mutual assistance at the projected conference of Rio de Janeiro.

3. In giving its full adherence to the two principles enunciated, the Govt of Cuba recognizes also that all the nations that participate in the negotiation of the projected treaty of mutual assistance should comply with their freely contracted commitments in conformity with the inter-American system, especially those commitments contracted at the inter-American conference concerning problems of war and peace. Likewise the Govt of Cuba recognizes that it is of essential importance that the twenty-one American Republics participate in the negotiation of the treaty of mutual assistance in order to assure inter-American unity and solidarity.

4. In the event there should arise some controversy or difference with respect to participation of some American country in the negotiation of the treaty of mutual assistance, such controversy or difference should be resolved in accordance with the procedure previously proposed by Cuba.

5. The Govt of Cuba professes the cordial friendship which has governed its relations with Argentina throughout its history and its confidence that this sister national will conform, in the community of American Republics, with democratic ideology and practices, the reason for existence and the tradition of the American States which it is so vital and important to maintain integrally, in the present need that all human values, with which sense of cooperation, may unite their efforts in the great work of reconstruction of a better world. Habana, April 6, 1946.”

WOODWARD

710 Consultation (4)/4–846: Telegram

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

RESTRICTED RIO DE JANEIRO, April 8, 1946—8 p. m.

NIAC [Received 9:35 p. m.]

656. Memo just received from Foreign Office in reply to Embassy’s memo April 2 which transmitted substance Dept’s Cirtel April 1, 11 p. m., regarding Argentine situation. FonOff memo after repeating substance Embassy’s memo concludes along following lines:

The Brazilian Government likewise desires to express its confidence that the new Argentine Government will collaborate with the other
American Republics in a spirit of most intimate solidarity. However, considering that there is about to be convened the Peace Conference at Paris and that the duration of that conference will offer a margin of time sufficient for the inauguration of the new Argentine Government and for its general lines of foreign policy to become known the Brazilian Government proposes that the Rio Conference be convoked at the best opportunity after the Paris Conference. In proceeding in this way, the Government of Brazil does so in use of prerogatives conferred upon it by the decisions of the Governing Board of the Pan American Union last March and in the desire of conciliating the attitude of the US with the just aspiration of the American Republics to conclude as soon as possible and without breaking continental unity the Inter-American Mutual Security Treaty. The Brazilian Government desires and hopes that its suggestion will meet with the support of the US Government.

Full text and translation of Brazilian memo follow by air.

Memo does not contain reference to proposal that committee be appointed among members of Governing Board of Pan American Union to coordinate draft treaties into single document for presentation at Rio Conference. However Gracie has informed me officially that this proposal is acceptable to Brazilian Government and has indicated that instructions in this sense would be sent to Ambassador Martins.

Following conversation with Wright this afternoon I have informed Gracie that Dept was releasing text of its proposals this evening and had no objection to Brazilian FonOff releasing press statement it had already prepared summarizing memo just delivered to me.

It now appears that full agreement has been reached between Brazil and US in regard to further procedure, and it is suggested that fact of agreement be stressed in public releases rather than one country supporting the views of position of the other.

Daniels

710. Consultation 4/4-846: Telegram

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


[Received 10:20 p.m.]

154. Following is translation of note from Foreign Minister dated today:

"Mr. Ambassador: . . ."

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59 Samuel de Souza-Leão Gracie, Brazilian Acting Minister for Foreign Affairs.
60 James Wright, Special Assistant to Assistant Secretary of State for American Republic Affairs (Braden).
... Discounting the circumstance that the United States was not and is not animated by any feeling of hostility toward the Argentine people, and that, on the contrary, it was inspired solely by the 'desire to strengthen the friendship relations between the people of the United States and the people of Argentina by bringing into the open those conditions which had caused the Government of the United States great embarrassment and concern in its relations with the then Government of Argentina' an attitude assumed by the United States 'acting in defense and not in derogation of the principles of the inter-American system' it is the opinion of the Paraguayan Government that because of its clearly democratic origin the new Argentine Government necessarily will give its support and its full and decided collaborations in the negotiation and signature of a pact of mutual assistance which will guarantee the peace and security of a united and indivisible American Continent.

The Government of Paraguay shares with the Government of the United States the fervent hope that the new Argentine Government democratically and constitutionally elected in its two branches Executive and Legislative, will demonstrate by immediate and effective acts its adherence to and compliance with solemn obligations contracted as a member State of the inter-American system and that it will direct its internal and foreign policy toward the ideal of continental cooperation, understanding and solidarity.

I take this opportunity to reiterate to you, Mr. Ambassador, the assurances of my highest consideration.

Signed Antonio Taboada''

I understand statement has been made available to press and will be published tomorrow.

BEAULAC

710 Consultation 4/4-846

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

No. 29,132 MEXICO, D. F., April 8, 1946. [Received April 12.]

RESTRIC TED

SIR: I have the honor to refer to the Department's circular telegram of April 1, 12 p. m., setting forth the substance of a statement which the Secretary of State intends to make on April 8 on the Argentine situation.40a I also have to refer to my despatch No. 29, 111 of April 4, with which was transmitted a copy of the note of this Embassy, No. 4915, of April 3,41 which I personally delivered to the Acting Minister of Foreign Relations,42 and in which is set forth the substance of the Department's circular telegram above mentioned.

40a For text of the "U.S. Memorandum to American Republics on Argentine Situation," released to the press on April 8, see Department of State Bulletin, April 21, 1946, p. 666.
41 Neither printed.
42 Manuel Tello.
I had informed the Department by telephone of the delivery of this note and to the effect that it had been favorably received by the Acting Minister, who had indicated that the Mexican Government would undoubtedly make a statement of its own on April 8 or shortly thereafter.

This morning Mr. James Wright of the Department called me on the telephone to state that the Department would be very much interested in receiving immediately, if possible, an indication from the Mexican Government as to its reaction to the note and particularly, whether the Secretary of State could this afternoon in a press statement include the Government of Mexico among those which were in accord with the spirit of the note.

I asked the Acting Minister whether in view of the foregoing the Secretary of State in making an announcement to the press could not include numerically, Mexico as one of the countries in accord with our proposal, without specifically mentioning Mexico, and he said that I could so inform the Department.

The Acting Minister clearly indicated that the Mexican Government is in accord with our note but that it believes that with the situation as it is and with the possibilities which lie in the situation, that it can in its own statement use somewhat different language and arrive at the same end.

I conveyed the foregoing by telephone to Mr. Wright and to Dr. Spaeth in the Department at 12:30 o’clock Mexico City time.

The Acting Minister indicated that the Mexican Government would make a statement but he did not indicate clearly whether it would be made today or tomorrow or any specific time, but I know that he is in touch with the President of Mexico.43

Respectfully yours,

GEORGE S. MESSERSMITH

710 Consultation 4/4–1046
The Ambassador in Venezuela (Corrigan) to the Secretary of State
No. 8615 CARACAS, April 10, 1946.
RESTRICTED [Received April 15.]

SIR: With reference to the Department’s circular telegram of March 9, 8 a. m., directing me to leave with the Minister of Foreign Affairs an aide-mémoire closely paraphrasing its contents, I have the honor to enclose a translation of a memorandum (No. 1129 of April 6, 1946) which has been received by the Embassy from the

43 Avila Camacho.
Foreign Office, replying to the Embassy’s aide-mémoire, which was delivered by me to the Foreign Minister on March 12.44

It will further be noted that the enclosed Venezuelan memorandum sets forth succinctly the position of the Venezuelan Government in regard to the Argentine situation in the sense that (1) it supports the publication of the Blue Book, (2) will recognize the Perón regime, (3) believes that no action should be taken at this time on the evidence of Argentine complicity with the enemy adduced in the Blue Book, (4) feels that any judgment on the new Argentine regime should be suspended pending observation of its conduct in office, (5) favors signature of the proposed Inter-American Mutual Assistance Pact by all of the American Republics, including Argentina, and (6) hopes that the Rio de Janeiro Conference may be held within a reasonable period after the inauguration of the new Argentine Government.

Although the Embassy’s aide-mémoire of March 12, 1946, in accordance with the Department’s instructions, contained a sentence reading: “It is hoped that the reply of the Venezuelan Government will be one which it will itself publish or authorize the Government of the United States to publish as part of the general consultation”, there is no reference to this matter in the enclosed Venezuelan reply. It is understood, however, that the Foreign Minister made an informal statement on April 8, 1946 to the representatives of the American press associations in Caracas outlining the Venezuelan position in terms similar to those contained in the Foreign Office’s memorandum of April 6.

Respectfully yours,

FRANK P. CORRIGAN

710. Consultation 4/5–746

Memorandum by the Assistant Secretary of State for American Republic Affairs (Braden) to the Acting Secretary of State

[Washington,] May 7, 1946.

When the agenda of the Conference of Rio de Janeiro was considered last fall, the Department was opposed to including in the scope of the Conference the conclusion of provisions for the pacific settlement of inter-American disputes because we did not feel it possible to prepare ourselves on this subject in addition to the Treaty of mutual assistance.

During the last months, however, several American republics have indicated their desire to have procedures of pacific settlement agreed upon at the Conference, either as part of the treaty of mutual assist-

44 None printed.
ance or in the form of a separate treaty. Officers of the Department who have been working on this problem have recommended that this Government favor such a step, not only because of the interest of the Latin American countries, but also because the conclusion of peaceful settlement provisions would balance the primarily military character of the mutual assistance pact.

Mr. Hiss and I agree that it would be desirable to include the subject of peaceful settlement in the Rio Conference if the other governments so desire. The Brazilian Government has, however, indicated through its representative on the Governing Board a strong objection to any broadening of the agenda for the Conference. We have assured the Brazilians that we will not make any move to change the agenda without first consulting with them. There are indications, however, that many of the other governments do desire to take up the subject of peaceful settlement at the Conference, and it is quite likely that the question will come up before the Governing Board for decision.

I am therefore asking the officers working on this Conference to draw up, on the basis of work already done, provisions for peaceful settlement of disputes which could be used by our delegation at Rio de Janeiro, in the event the Conference is to take up this question. If you concur, I believe that this subject should be taken up with the Congressional group advising on the Rio treaty, if and when it becomes clear that the Conference will negotiate provisions of peaceful settlement.

Spruille Braden

710 Consultation (4)/5-1046: Telegram

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

SECRET

WASHINGTON, May 10, 1946—7 p.m.

615. Martins asked Braden Wed whether US was agreeable to tentative scheduling of Rio Conference for Sept 7 as previously proposed, by which time Brazil considered Arg Govt should have had time to demonstrate its real desire to comply with commitments. He said no public announcement of date contemplated at this time and that all that was wanted was provisional understanding with US.

Braden replied that US was anxious to hold meeting as soon as possible and voiced supposition that 3 months should allow Arg sufficient time. Suggestion that Sept 7 be set as date for opening of Conference raised question, he said, of possible conflict with meeting of UN General Assembly scheduled for first week Sept; moreover, in view impossibility of estimating now degree to which new Arg Govt will fulfill its inter-American commitments, determination now of definite date for Conference believed by US to be premature.

Acheson

* Alger Hiss, Director of the Office of Special Political Affairs.
Memorandum by the Assistant Secretary of State for American Republic Affairs (Braden)\textsuperscript{46}

\textit{[Washington,] July 16, 1946.}

Pursuant to instructions, the Brazilian Ambassador has informally requested our views on a proposal of the Brazilian Foreign Minister to announce November 15 as the date for the Rio Conference prior to the Minister’s departure for Paris.

The Ambassador explained that his government was taking this matter up with the United States before discussing it with any other government.

You will recall that, in our communication of April 1 to the other American republics (which was approved by practically all of them), we stated that

“We hope the Conference can be called to meet after the Government of Argentina has been installed and has had a reasonable time to comply with the promises made at Mexico City. When it has complied we feel satisfied the American republics will welcome that Government’s participation in the treaty of mutual assistance.”

We added that “there must be deeds and not merely promises.”

In his inaugural address on June 4, President Perón announced that his Government did not consider itself bound by the Mexico Agreements until their ratification by the Argentine Congress. Perón subsequently stated that while he was submitting the Agreements to the Congress, it would be improper for him to recommend one way or another respecting their ratification.

The extraordinary consequences of the Perón announcement are further evident from the fact that we and the other American republics voted to admit Argentina to the United Nations upon the understanding that the adherence of the Farrell Government to the Mexico Agreements in April 1945 was final and binding. During the period of a year and a half between the Mexico Conference and Perón’s inauguration there was no reference by any Argentine official to a requirement of legislative action. It had been assumed that in the exercise of war powers the Argentine executive had bound his government to the Mexico Agreements just as had the President of the United States and the chiefs of state of the other American republics.

In declaring that it is not bound by the Mexico Agreements, the Perón Government has postponed the day when the question of the sufficiency of Argentine performance of those agreements can be placed in issue and finally decided. Moreover, even if we could ignore the

\textsuperscript{46} Addressed to the Secretary and the Under Secretary of State. A notation on the original by the latter reads: “I agree. D.A.”
Argentine disclaimer of any commitments on its part, Ambassador Messersmith’s 47 reports show that no adequate action has in fact been taken by the Perón Government since its installation on June 4 looking toward more effective control or elimination of Nazi agents or property.

Under these circumstances, our acceptance of a definite date would be construed as an abandonment of our position as announced on April 8. By the same token, Ambassador Messersmith’s efforts to obtain both ratification and compliance as conditions precedent to participation in the pact would be seriously prejudiced if not completely undermined. The Brazilian proposal is, therefore, clearly premature.

I recommend, therefore, that I be authorized to inform the Brazilian Ambassador orally that, in the light of the Argentine position, it would seem improper and inopportune to announce now a date for the Conference. 48

Spruille Braden

710. Consultation (4) 8-246 : Telegram

The Ambassador in Brazil (Pawley) 49 to the Secretary of State

SECRET

Rio de Janeiro, August 2, 1946—3 p.m.

[Received 8:30 p.m.]

1385. Reference Paris 8694, July 29 and Buenos Aires despatch 406, July 22. 50 Before leaving for Paris Foreign Minister 51 stated he was extremely anxious to set date of November 15 for Rio Conference. He stated he was looking forward to opportunity discuss date Rio Conference with Secretary Byrnes Paris.

High government officials here feel further delay in setting date would be construed as weakness on part United States, Brazil and other American republics. They feel Argentina is stalling in order to make impression of importance and indispensability to conclusions of pact. Other sources inform that Argentina has no intention ratifying either Chapultepec or San Francisco Acts this year. Ambassador Messersmith does not think this to be case as pointed out in Buenos Aires despatch referred to.

Foreign Minister, War Minister Goes Monteiro, acting Foreign Minister Gracie and Justice Minister Luz (Special Ambassador to

47 Ambassador George S. Messersmith, transferred from Mexico to Argentina, assumed charge in Buenos Aires on May 25, 1946.

48 In telegram 984, July 20, 1946, 2 p.m., the Secretary indicated to the Ambassador in Brazil his opposition to setting a date for the conference by reason of the heavy commitments of the Secretary (710 Consultation (4) 7-2046).

49 Ambassador William D. Pawley, transferred from Peru to Brazil, assumed charge in Rio de Janeiro on June 13, 1946.

50 Neither printed.

51 João Neves da Fontoura was the Brazilian delegate to the Paris Peace Conference.
Perón inauguration) all expressed opinion favoring inclusion Argentina in hemispheric defense pact but all agreed that if continued stalling on part of Argentina should prejudice conclusion defense agreement of other American republics with United States (and they apparently feel that it will) then matter should go forward without Argentina.

I think it important to understand that first preference of Brazil is to conclude pact with Argentina participating. But there is also conviction that Argentina owes more willing cooperation to Brazil and other American republics because of latter’s original insistence on inclusion of Argentina and they state they are not willing to tolerate further Argentine procrastination in fulfilling pledged agreements.

Repeated to Buenos Aires and Paris for Secretary Byrnes; sent to Department as 1385.

Pawley

710. Consultation (4)/8-2246: Telegram

The Acting Secretary of State to the Ambassador in France (Caffery)\textsuperscript{52}

SECRET

WASHINGTON, August 23, 1946—7 p.m.

4340. If we interpret correctly your 4179 Aug 22\textsuperscript{53} Brazilian FonMin considers that we shd accept Arg Senate ratification of Mexico City resolutions as actual performance by Arg of its obligations thereunder.

It is of course premature to speak of ratification as an accomplished fact until Arg Chamber of Deputies also ratifies. This body now has the resolutions under consideration and according to last reports is not expected to act before middle of next wk.

More importantly we do not consider that ratification is performance however much we welcome it as an indication of Perón’s intention to comply with deeds and not promises. (Refer to par 6 of Secy’s statement of Apr 8.)\textsuperscript{53a} After ratification it remains for Arg Govt to take the necessary positive steps which are the essence of the pertinent inter-American agreements.

If before those positive steps are taken we agree to the fixing of a date for Rio Conf we wd encourage Arg to believe we wd accept mere ratification in lieu of performance and hence lessen possibility of obtaining adequate performance by Arg of its agreements.

\textsuperscript{52} Sent to Buenos Aires as 1115 and to Rio de Janeiro as 1128.

\textsuperscript{53} Not printed; in it Ambassador Caffery reported that the Brazilian Foreign Minister was urging acceptance of the Argentine ratification “at face value” and the immediate convoking of a conference (710. Consultation (4)/8-2246).

\textsuperscript{53a} See footnote 28, p. 10.
Amb Messersmith considers there is reasonable hope of getting adequate compliance in near future. We strongly support his recommendation (BAires tel 1985 Aug 8)\(^{54}\) that it wd be most unwise to proceed now with the fixing of definite date for Rio meeting.

Sent to Paris; rptd to Buenos Aires and Rio.

ACHESON

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710. Consultation (4)/8-2446: Telegram

_The Ambassador in Argentina (Messersmith) to the Secretary of State_

SECRET

BUENOS AIRES, August 24, 1946—11 a.m.

[Received 11:33 p.m.]

2064. I am completely unable to understand reasoning of Brazilian FonMin as expressed in statement quoted close Ambassador Caffery's telegram to Department No. 4179 of August 23\(^{55}\) and repeated to me.

Senate has ratified acts Mexico and San Francisco and deputies almost certainly will this next week and this is tremendous step forward as I have reported Department and it is to be hoped it represents a new attitude Argentine Govt, which attitude will be adequately implemented. We must accept this step as taken in all good faith and it would be grave mistake to question good faith any way.

In my opinion Argentine Govt will proceed adequate action enemy property and aliens and is presently working hard at this but we must wait somewhat longer to observe concrete performance before we can proceed fixing definite date Rio de Janeiro.

There is a new attitude Argentine Govt which is most encouraging and we must accept current acts as made in all good faith but I cannot concur Brazilian FonMin's statement that by fixing date now we “should be able to lead Argentines like sheep”. He completely disregards certain feelings Argentines still have concerning Brazil and US and his thinking is wishful and unrealistic.

I still think we must stand firm on not fixing date Rio de Janeiro meeting now but there is hope developments here are making and will make possible fixing date relatively near future.

I believe Department will wish to repeat this telegram to Secretary Byrnes Paris.

After drafting foregoing received Department’s 1115, August 23\(^{56}\) sent Paris with which I am in complete accord.

MESSERSMITH

\(^{54}\) Not printed.


\(^{56}\) Same as telegram 4340 to Paris, supra.
Consultation 4/12-2046: Telegram

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

SECRET

RIO DE JANEIRO, December 20, 1946—11 a.m.

[Received 2:35 p.m.]

2021. On my second call on President Dutra since my return here Thursday, December 11, in addition to other things discussed, I took this occasion to ask the President if there had been any change in Brazilian Govt's view re Argentine problem and eventual holding of Rio Conference. The President replied that there had been no change and asked if there was any basis for my question.

I told the President that in General Obino's 87 visit with Acting Secretary Acheson he discussed the hemispheric defense plan and Rio Conference and that General Obino's statements were not in accordance with views expressed to me by President Dutra, previous Minister Foreign Affairs João Neves da Fontoura and other Ministers of Brazilian Cabinet. The President asked in what respect did the General's views conflict.

I did not wish to go into detail but explained to the President that the General was anxious that President Truman's arms bill 88 might be passed reasonably soon and that Brazil should receive arms in advance of other American Republics under this program. I stated that there was some question in the General's mind whether other American Republics were ready to participate in arms program and that he especially questioned advisability of furnishing arms to Argentina now.

President Dutra stated that these views were strictly personal views of General Obino who had come to bid him farewell before his departure and that he had received no instructions to discuss with Dept of State or elsewhere. President Dutra also stated that he could understand General Obino's desire as a military man that Brazil should be principal recipient in hemisphere of arms from US but that any such plan would react unfavorably for Brazil equally as much if not more than it would for US.

The President stated that as General Obino did not have authority to speak on behalf of Brazilian Govt he would appreciate it if I would telegraph Dept immediately so that there might be no misunderstanding in Dept reviews of Brazilian Govt vis-à-vis Argentina. The President reiterated his Govt's desire to hold Rio Conference at early date and after US Govt was satisfied that Argentina had complied with commitments undertaken at Chapultepec and San Francisco.

87 Lt. Gen. Salvador Cesar Obino, Brazilian Chief of Staff.
Although I did not discuss Obino’s visit to Dept with Foreign Minister, I did ask Foreign Minister if there was any change in Brazil’s policy with reference Argentina and Rio Conference. His comments were identical to those made by President Dutra yesterday.

Pawley

710 Consultation 4/12–2046: Telegram

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

SECRET

WASHINGTON, December 21, 1946—2 p. m.

1557. Reurtel 2021, Dec. 20, 11 a. m. Situation with respect to the matters you discussed with Pres Dutra is as follows:

Since there has thus far not been compliance on part of Arg no useful purpose could be served by speculating with Brazilian officials concerning date for Rio Conf.

Furthermore Arms Bill question has been referred to a committee representing the three interested Depts for further detailed study. Its ultimate form and fate are therefore uncertain.

Dept cannot accordingly approve your initiative in taking up without specific instrs either subject with Brazilian Govt and it is requested that no further conversations along that line be undertaken without such instructions.

Byrnes
PRELIMINARY DISCUSSIONS CONCERNING THE NINTH INTERNATIONAL CONFERENCE OF AMERICAN STATES TO MEET IN BOGOTÁ

710.3/1-546

Memorandum by the Assistant Secretary of State for American Republic Affairs (Braden) ¹

[Extract]

[WASHINGTON,] January 5, 1946.

The Bogotá Conference scheduled for the end of this year has every indication of being extremely important and incidentally complicated in that it will take up a number of very important subjects, not the least of which is the reorganization of the Pan American Union. Very careful preparation will therefore be necessary, and I feel that no time should be lost in assigning some one officer under Mr. Dreier's immediate direction and, if needs be, working with a committee to prepare our instructions on all of the various points of the agenda which may be presented (perhaps we can use some of McCormack's² research people on this).

Spruille Braden

710.3/1-1446: Airgram

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

WASHINGTON, January 14, 1946.

A-12. This Government has no information of any specific plans the Colombian Government may have with respect to the Ninth International Conference of American States, scheduled for Bogotá this year. The Pan American Union is likewise without information. There have been indications, however, that the Colombian Government finds itself seriously embarrassed by the lack of hotel and other accommodations to meet the needs of such a conference and that

¹ Addressed to Mr. Ellis O. Briggs, Director of the Office of American Republic Affairs, and to Mr. John C. Dreier, Chief of the Division of American Republics Analysis and Liaison.
² Alfred McCormack, Special Assistant to the Secretary of State in Charge of Research and Intelligence.
it is, consequently, disposed to put off the date to the extent that it can. Some concern is felt in the Department that these mere mechanical difficulties may unduly delay action to convene the conference and, perhaps, result in postponing it until next year. It was originally to have been held in Bogotá in 1943. Since there should be ample time to prepare for a conference of such magnitude, it is to be hoped that the Colombian Government will set a date and issue invitations shortly.

Please inquire what the Colombian Government plans to do and report to the Department.

ACHESON

710 J/1-2143 : Airgram

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

[Extract]

Bogotá, January 21, 1946.

[Received January 30—4:24 p.m.]

A-24. ReDepg A-12, January 14. Foreign Office states that Ninth International Conference of American States will definitely take place at Bogotá sometime during December, 1946. Preparatory Commission for Conference, whose formation was announced in Embassy despatch no. 1287 of January 10, has held several meetings with President and Foreign Minister but Foreign Office states that plans are yet in formative stage. It has been definitely ascertained, however, that Conference will be held in Capitol building which will be completely renovated for occasion. Delegates, etc. will probably be lodged in private residences and part of Hotel Granada will also be reserved for this purpose. Foreign Office adds that invitations for Conference, which is expected to last ten or twelve days, will probably be sent out in three to four months' time.

Local press, with exception of Communist Diario Popular, has been most enthusiastic in commenting on preparations for Conference. It is stated by press that special appropriation of 1,500,000 pesos has been approved by Cabinet for expenses in connection with Conference. Other plans, such as paving of streets, decoration of buildings, etc. will probably be included in budgets of state and municipal governments.

WILEY

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3 Not printed.
4 Alberto Lleras Camargo and Fernando Londoño y Londoño, respectively.
Memorandum by the Assistant Secretary of State for American Republic Affairs (Braden) to the Special Assistant to the Secretary of State (Pasvolsky)

[WASHINGTON,] March 13, 1946.

Program of the Bogotá Conference

The Ninth International Conference of American States is to be held in Bogotá next December. I attach the Report on the Program of the Bogotá Conference approved by the Governing Board of the Pan American Union. This Report requests that the American governments transmit to the Union on or before May 20:

(a) Their observations and comments on the preliminary list of topics for possible inclusion in the Program of the Ninth International Conference of American States which is appended to the report;

(b) Any additional topics which in the opinion of the Governments should be included in the program of the Bogotá Conference within the criterion set forth in paragraph one of the report.

May I have your views and any specific suggestions with respect to the program of the Conference? I am making a similar request of Messrs. Clayton and Hackworth.  

SPRUille BRADeN

[Annex]

Report of the Special Committee on the Program of the Ninth International Conference of American States

Pursuant to the action taken by the Governing Board at its meeting of February 6th, preliminary studies have been undertaken looking toward the formulation of the program of the Ninth International Conference of American States. As a first step in the preparation of the program the undersigned beg to submit the following conclusions for the consideration and approval of the Governing Board:

1. That, in accordance with the recommendations of the Eighth International Conference of American States  and the Inter-American Conference on Problems of War and Peace, the program of the

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5 William L. Clayton, Assistant Secretary of State for Economic Affairs, and Green H. Hackworth, Legal Adviser.


Ninth International Conference of American States be limited to topics relating to the larger aspects of inter-American policy and the structural organization of the inter-American system.

2. That the attached preliminary list of topics, referred to the Bogotá Conference by previous inter-American assemblies, be forwarded to the Governments for observation and comment.

3. That, in transmitting their views on the attached list, the Governments be requested to submit such additional topics as in their opinion might be included in the agenda, within the criterion set forth in paragraph 1 above.

4. That the views of the Governments on the attached list, and the additional topics which they may wish to propose, be communicated to the Pan American Union on or before May 20, 1946, in order that the undersigned Committee may proceed with the formulation of a definitive project of program.

The above recommendations are based on the following considerations and antecedents:

Resolution IX of the Inter-American Conference on Problems of War and Peace stipulated that the International Conferences of American States shall be the inter-American organ entrusted with the formulation of general inter-American policy and the determination of the structure and functions of inter-American instruments and agencies.

The Eighth International Conference of American States also recommended that

in the programs of future International Conferences of American States preference be given to questions relating to the maintenance of peace and to those which should regulate the general political relations of the American Republics.

It is on the basis of these recommendations that the Committee proposes that the program of the Bogotá Conference be limited to topics relating to the larger aspects of inter-American policy and the organization of the inter-American system.

**Topics Referred to Bogotá by Previous Inter-American Conferences**

The attached list of topics for possible inclusion in the program of the Ninth International Conference of American States is based wholly on subjects which have been referred to Bogotá by the Eighth International Conference of American States and the Inter-American Conference on Problems of War and Peace.

Topic 1.—Reorganization of the Inter-American System—is included pursuant to Resolution IX of the Inter-American Conference on Problems of War and Peace. It also includes and will permit the
consideration of the Colombian-Dominican project on an Association of American Nations, which was referred to Bogotá by the Eighth International Conference of American States.

Topic 2.—Inter-American Peace System—was referred to Bogotá by the Eighth Conference of Lima as well as by the Conference of Mexico. It is in reality a part of the general problem of reorganization of the Inter-American System, but because of the importance of the subject is included in this list as a separate topic.

Topic 3.—Reports of the Inter-American Juridical Committee—is intended to cover projects and reports which were referred for preparation and study to the Inter-American Juridical Committee by the Inter-American Conference on Problems of War and Peace, with the request that the conclusions of the Committee be submitted to the Bogotá Conference. These include the Ecuadoran project on the abolition of the recognition of de facto governments; the Guatemalan and Venezuelan projects on cultural relations and peaceful orientation; and the formulation of an Inter-American Charter of Social Guarantees. It is unknown what form these studies and projects will take, and for this reason topic 3 has been formulated in general terms, sufficiently broad to cover any report that may emanate from the Juridical Committee.

Topic 4.—Statutes of the Inter-American Commission of Women—was referred to Bogotá by the Eighth International Conference of American States.

If the foregoing plan of procedure meets with the approval of the Governing Board, the undersigned will proceed with the formulation of the program of the Bogotá Conference immediately on receipt of the observations and suggestions of the Governments.

Respectfully submitted,8
February 20, 1946.

[Subannex]

LIST OF TOPICS FOR POSSIBLE INCLUSION IN THE PROGRAM OF THE NINTH INTERNATIONAL CONFERENCE OF AMERICAN STATES

1. Reorganization of the Inter-American System:
   (a) Convention on the Organization of the Inter-American System
   (b) Declaration of the Rights and Duties of States
   (c) Declaration of the International Rights and Duties of Man
   (d) Permanent Organization of the Inter-American Economic and Social Council

8 Signed by the Ambassadors to the United States of Chile (Marcial Mora), El Salvador (Hector David Castro), Cuba (Guillermo Belt), Colombia (Antonio Rocha), and by the Chargé of Brazil (Fernando Lobo).
NINTH INTERNATIONAL CONFERENCE OF AMERICAN STATES 33

(e) Reorganization of the Agencies for the Codification of International Law

(f) Consideration of an Agency for the Promotion of Inter-American Cultural Relations.

Paragraphs (e) to (d) are based on the Resolution of Mexico. Paragraphs (e) and (f) are included in the general plan of reorganization of the System

2. The Inter-American Peace System—Coordination of the Treaties and Conventions for the pacific settlement of international disputes.

Based on Resolution IX of Mexico and Resolution XV of the Lima Conference

3. Consideration of reports presented by the Inter-American Juridical Committee on various matters entrusted to its study.

Various matters have been entrusted to the study of the Inter-American Juridical Committee with the request that it prepare reports and projects for submission to the Ninth Conference

4. Consideration of the Statutes of the Inter-American Commission of Women. The Commission will first present a report to the Conference.

This subject has been entrusted to the Ninth Conference by Resolution XXIII of the Conference of Lima.

710.1/3/1846

Memorandum by the Director of the Office of Special Political Affairs (Hiss) to the Assistant Secretary for American Republic Affairs (Braden)

[WASHINGTON,] April 10, 1946.

Reference is made to your memorandum of March 18, 1946 requesting the views and suggestions of SPA concerning the Report on the Program of the Ninth International Conference of American States, approved by the Governing Board of the Pan American Union.

The preliminary list of topics 9 for possible inclusion in the program appears to cover the topics with which SPA would be primarily concerned, within the criterion set forth in paragraph 1 of the Report.

It is suggested, however, that it might be desirable to insert under topic 1 some such general item as the following:

“(e) Urgent problems of the reorganization, status and relationships of various inter-American agencies.”

9 Supra.
This would include those problems now listed as topics 1 (e) and (f) and 4, making their separate enumeration unnecessary. It would also include a consideration of the status of various emergency agencies, such as the Inter-American Juridical Committee and the Committee for Political Defense, created by the Meetings of Foreign Ministers. Under this heading the Conference could likewise take up specific problems concerning procedures of coordination and cooperation among specialized inter-American agencies which appear urgent, and which it might be desirable not to hold over for study and reconsideration by the Governing Board as is contemplated in the draft charter of the system. A number of such problems appear already to be shaping up.

If this wording is accepted the report accompanying the program might contain a paragraph explaining the scope of the suggested topic by reference to the types of problems mentioned above.

710.5/4-1246

Memorandum by the Assistant Chief of the Division of American Republics Analysis and Liaison (Halle) 10

[Extract]

[WASHINGTON,] April 22, 1946.

The Pan American Union has asked for the comments of the member governments on the Colombian proposal that the Bogotá Conference be postponed to sometime in 1947. Since Colombia is the host and is not ready to hold the Conference as scheduled in December, this Government has no choice but to agree to the postponement. There is, however, serious question whether the Colombians will be prepared at any time in the immediately foreseeable future. It has seemed desirable, therefore, that in agreeing to the postponement this Government express itself strongly in favor of holding the Conference at the earliest practicable date. The attached draft reply is intended to do this. 11

Louis J. Halle, Jr.

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10 Addressed to the Director of the Office of American Republic Affairs, the Chief of the Division of American Republics Analysis and Liaison, and the Assistant Secretary of State for American Republic Affairs.
11 See infra.
The Assistant Secretary of State for American Republic Affairs (Braden) to the Secretary of the Governing Board of the Pan American Union (De Alba)

WASHINGTON, May 1, 1946.

My Dear Dr. de Alba: In your letter of April 12, you refer to the suggestion made to the Governing Board at its meeting of April 10 by the representative of Colombia, on behalf of his Government, that the Ninth International Conference of American States, now scheduled for next December, be postponed to some time in 1947, the exact date to be determined by the Governing Board in consultation with the Government of Colombia. In accordance with a decision of the Governing Board, you inquire whether my Government would be agreeable to the contemplated postponement.

My Government favors holding the next Conference at the earliest practicable date, having in mind especially, problems that will remain unresolved until that Conference has met and taken action upon them. Under Resolution IX, referred to above, the Ninth Conference is charged, specifically and by implication, with the responsibility of reorganizing, consolidating and strengthening the inter-American system. A measure of uncertainty with respect to the agencies and the operation of the system will naturally prevail until this responsibility has been discharged.

My Government accepts the judgment of the Government of Colombia that it is not practicable to hold the conference before some time in 1947 and, therefore, agrees to the suggested postponement. In doing so, however, it emphasizes its view, which it feels sure the Government of Colombia will share, of the importance of holding the Conference as soon as it becomes practicable to do so.

Sincerely yours,

Spruille Braden

Memorandum by the Assistant Secretary of State for Economic Affairs (Clayton) to the Assistant Secretary of State for American Republic Affairs (Braden)

[WASHINGTON,] May 6, 1946.

Reference is made to your memorandum dated March 13 relative to the Ninth International Conference of American States to be held in Bogotá to which was attached the Report on the Program of the Bogotá Conference approved by the Governing Board of the Pan American Union.

32 Not printed.
The permanent organization of the Inter-American Economic and Social Council is the only topic on the proposed agenda on the economic side. Altho the Inter-American Development Commission is not specifically mentioned, it is desirable that the Department's policy with regard to it be defined and that it be included in the agenda in such a way that this policy toward it will be adequately presented.

The policy of this Government toward the future of the Inter-American Development Commission established by a document of the Executive Committee on Economic Foreign Policy (ECEFP D-26/43) dated February 23, 1945 and subsequently approved by the Secretary of State, can remain substantially unchanged. I believe that if IADC is to be perpetuated it should become attached to or a dependency of the Inter-American Economic and Social Council.

Developments since the receipt of your memorandum indicate that this Conference will probably not be held in December as scheduled. Mr. J. Raphael Oreamuno, Vice Chairman and Director of the Inter-American Development Commission, has stated that the Commission has sufficient funds to carry on planned activities during 1946. It may, therefore, be desirable for the questions concerning the future of IADC to be considered again by the Executive Committee on Economic Foreign Policy and, following approval of its action by the Secretary, the subject should be introduced in the Inter-American Economic and Social Council. Presumably the Council would then make recommendations to the governments of the American Republics.

As to substantive economic questions, I do not believe that we should take the initiative in proposing anything for discussion in the general commercial policy field. We would hope that it might be possible to keep this subject off the Bogotá agenda in view of the timing in relation to the general international trade conference. However, this may not be possible and it may be that one or more of the countries will want a discussion of the "Proposals" placed on the program. If it comes to a public attitude before the Latin American nations, we will probably have to be enthusiastic about the opportunity of discussing the "Proposals" with the neighbors in advance of the general conference.

It is believed that any "spot" economic problems which might be in the minds of Latin American nations at the time the agenda for the meeting is drawn up, will probably have changed or disappeared when the meeting is finally held. As far as Conference action is concerned on such problems, I believe that the various resolutions at Mexico City last year covered the various questions to about as thorough a degree

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13 In a letter of May 24, 1946, to the Secretary of State, the Secretary of the Governing Board of the Pan American Union indicated that this body had voted to postpone the Conference until 1947 (T109.1/5-2446).
as we would be prepared to go at present or within the next several months. I think we should be able to resist including such "spot" problems on the program both on the above grounds and because of the general principle laid down that the International Conference of American States "shall be the inter-American organ and trusted with the formulation of general inter-American policy".

With regard to broad economic policy questions, once again I believe that the resolutions at Mexico City covered the ground rather thoroughly, and at the moment I can think of no general issues which this government would want to have included in the program other than those which we would prefer to have discussed in an international rather than an inter-American setting.

710.7/3-846

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

WASHINGTON, May 17, 1946.

MY DEAR DR. DE ALBA: Your letter of March 8, 1946, transmits a copy of the Report on the Program of the Ninth International Conference of American States approved by the Governing Board at its session of March 6. In accordance with this Report, I take pleasure in submitting, on behalf of my Government, the following comment on its attachment, entitled "List of Topics for Possible Inclusion in the Program of the Ninth International Conference of American States".

It seems to this Government preferable that subtopics 1(e) and 1(f) and topic 4 be replaced by a new subtopic 1(e) to read somewhat as follows:

"(e) Urgent problems of the organization, status and relationships of various inter-American agencies."

This would, in addition to making unnecessary the items now listed as 1(e), 1(f) and 4 by including them in its more general scope, also allow for consideration of the status of various agencies, such as the Inter-American Juridical Committee and the Emergency Advisory Committee for Political Defense, created during the war, as well as consideration of specific problems concerning procedures of coordination among specialized inter-American agencies.

Sincerely yours,

DEAN ACHESON

14 Not printed.
Memorandum of Conversation, by the Assistant Chief of the Division for American Republics Analysis and Liaison (Halle)

SECRET

[WASHINGTON,] December 3, 1946.

Participants: Ambassador Rocha, Representative of Colombia on the Governing Board of the Pan American Union

A—Br—Mr. Braden

IA—Mr. Halle

Dr. Rocha came at his request to inform Mr. Braden that his Government had authorized him to announce to the Governing Board of the Pan American Union its desire to set the date for the Ninth International Conference of American States at Bogotá without reference to the date on which it might be decided to hold the Rio Conference on the Maintenance of Continental Peace and Security, and its further desire to hold the Conference in December, 1947. He said that he had in mind making such an announcement at the Board meeting tomorrow (December 4), but wished first to consult Mr. Braden on any views he might hold.

Mr. Braden asked whether it would not be possible for the Colombian Government to call the Conference at a considerably earlier date next year, but Dr. Rocha replied that it could not be held at a materially earlier date. Mr. Braden then informed Dr. Rocha in confidence of indications he had received recently from representatives of the Brazilian Government to the effect that that government was no longer interested in holding the Rio Conference at an early date but was apparently agreeable to having it postponed until after the Bogotá Conference. He added that, in a confidential conversation he had had with Señor Nieto del Río, newly designated Ambassador of Chile, they had discussed the possibility that the proposed treaty to perpetuate the Act of Chapultepec might be confined to political and juridical matters, omitting anything that dealt with arms agreements, and that it might be concluded among the American republics without holding any special conference for that purpose. One possibility was that such a treaty might be concluded along with other treaties at the Bogotá Conference.

This latter possibility appeared to appeal to Dr. Rocha, who said it might be well to engage in some private consultation among the members of the Governing Board toward that end. Mr. Braden pointed out that this Government would naturally have to keep in the

16 Felix Nieto del Río, Delegate from Chile to the United Nations Assembly and designated as Ambassador from Chile to Brazil.

17 March 8, 1945, Department of State, Treaties and Other International Acts Series No. 1543.
background. To Dr. Rocha’s question whether the Brazilian Government would be agreeable to foregoing the Rio Conference, Mr. Braden replied that his own information and that of Nieto del Rio gave grounds for thinking it might.

Mr. Braden asked for Dr. Rocha’s confidential personal opinion on the prospective agreements to furnish arms to the American republics. Dr. Rocha replied that he viewed them with misgivings on two grounds: (a) because he felt that, with the termination of the war, the conclusion of agreements for maintaining the peace and for developing the procedures of the inter-American system should take precedence over agreements for developing the war-making capacity of the American republics; and (b) because the supply of arms to the American republics was a most dangerous thing in view of the instability of many of their governments and the potential role of the armed forces in those governments. He said that such agreements no longer had the justification that they might have had while the war was still in progress.

In discussing the Argentine situation, Dr. Rocha said that Señor Dassaut, Chargé d’ Affaires of Argentina, had recently expressed to him his feeling that a golpe de estado against Perón might be in the making. Dassaut had pointed out that Perón was now in full enjoyment of a newly acquired power but that opposition groups were developing and would develop. Mr. Braden said that his information led him to believe that Perón had pretty complete control of the situation.

In conclusion, Dr. Rocha said he would announce at tomorrow’s Governing Board meeting the desire of his government that the Bogotá Conference be held next December, regardless of when the Rio Conference was held.
PROBLEMS CONCERNING ARGENTINA AND PANAMA CONSIDERED AT THE INTERNATIONAL LABOR CONFERENCES HELD AT MEXICO CITY AND MONTREAL

500. C115 Mexico City/3-2946: Telegram

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

CONFIDENTIAL

WASHINGTON, March 29, 1946—8 p. m.

311. It is possible that credentials Argentine delegates to ILO Conference will be challenged. Dept’s views are:

1. U.S. delegates should not take initiative in raising question.

2. If credentials Arg workers or employers delegates, or both of them, are challenged and it appears necessary for US delegates to make statement, they should at an appropriate time and in their discretion state that credentials requirements are governed by terms of ILO Constitution; and that only question is whether they were chosen in consultation with most representative organizations.

3. If credentials Arg Government delegate challenged and statement by US delegates appears necessary they should at appropriate time and in their discretion state that question is governed by ILO Constitution which apparently contains no exception to provision that a member of organization is entitled to two Govt delegates.

4. US delegates should attempt to stay off any committee which will be required to pass on credentials.

5. If question of seating Arg workers or employers delegates reaches vote US delegates should vote with majority unless majority vote contrary to undisputed evidence on decisive fact question.

6. If question of seating Arg Govt delegate reaches vote US delegates should abstain.

7. US Govt delegates are Senator Chavez,¹ Chairman, and Verne Zimmer.² US employers delegate is David Zellerbach.³ US workers delegate is George Meany of AFL.

8. Dept’s views not binding on US workers and employers delegates and Senator Chavez has indicated his intention of reaching independent decision on above questions. You may, however, inform all US delegates of foregoing views and of following information.

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¹ Senator Dennis Chavez of New Mexico, member of the Education and Labor Committee of the Senate.
² Verne A. Zimmer, Division of Labor Standards of the Department of State.
9. No Arg employers delegates thus far named. Arg Govt delegates are Ricardo Riguer and Carlos R. Desmaras, President and General Secretary of National Institute of Social Welfare, and both supporters of Perón. Arg workers delegate is either Anselmo Delfino Malvicini of Unión Ferroviarios or Libertario Ferrari of Unión Obreros del Estado, both of whom are members administrative committee of pro-Perón Confederación General de Trabajadores. Both workers delegates apparently named by CGT at instance of Desmaras without intervention of Arg Secretariat of Labor, and without consultation with other unions.

10. For latest estimates of membership of Arg labor unions see BA Tel 875 Mar 27 repeated to you as Deptel 307 Mar 29.5

11. Please keep Dept fully informed.

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ACHESON

500.C115 Mexico City/4-546: Airgram

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

MEXICO, April 6, 1946.

[Received April 11—9:55 a.m.]

A-515. (1) The Workers Group has ejected from its meetings the Workers Delegate and Advisor from the Argentine and has refused to name any Argentine Worker Representative on the various Committees of the Conference.6

The Selection Committee (Steering Committee) has unanimously found the credentials of all delegations including the Argentine and Chilean Workers Delegations to be in order and has forwarded them to the Conference. It may be assumed that the Conference in Plenary Session will accept the credentials of all delegations including the Argentine and Chilean Workers Delegation. The Secretary General, the Chairman of the Governing Body and the Selection Committee have made clear that the question of approving credentials does not arise in the absence of formal protests.

(2) The Committee of Labor Relations rejected the amendment offered by the Employers restricting the right of association to social and economic ends, thus excluding political ends. As the question was purely one of association, the United States Delegation voted against the Employers amendment.

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1 Juan Perón, President-elect of Argentina.
2 Not printed.
3 A memorandum of April 9, 1946, by T. C. Mann, Acting Chief of the Division of River Plate Affairs, indicates that an agreement was worked out whereby the Argentine workers delegate would not serve on any committee but, on the other hand, his credentials would not be challenged (500.C115 Mexico City).
(3) Vicente Lombardo Toledano,\textsuperscript{1} as Mexican Worker Delegate, spoke for 2 hours in the Plenary Session of April 3, on the Director's report. Among other things he attacked the so-called Clayton Plan which he charges is intended to eliminate customs tariffs, and stated clearly his opposition to it or any similar plans. He also raised the question of racial discrimination and cited the cases of discrimination against Mexicans in the Southern United States and racial discrimination against Latin Americans and negroes in the Panama Canal Zone. The text of this speech with full English translation will be forwarded to the Department as soon as possible. It should be noted that the English translation of Lombardo's speech provided by the Conference is condensed and omits many interesting passages.

(4) In general the technical work of the Conference is behind schedule.

The Embassy will not fail to keep the Department informed of developments.

MESSERSMITH

500.C115 Mexico City/4-1246

Memorandum of Telephone Conversation, by the Chief of the Division of International Labor, Social, and Health Affairs (Mulliken)

[WASHINGTON,] April 12, 1946.

Mr. Ailshie \textsuperscript{2} stated that he was getting off an airgram as soon as possible but wanted to transmit the following information at this time.

The Panamanian question came up last night. There was a very heated debate and Senator Chavez "stuck to his guns" on the general resolution. It was agreed to appoint the United States Delegation, the Panamanian Delegation and a representative of the ILO to get together and see whether they could work something out.

The resolution calls for:

1. Appointment of an ILO correspondent in the Republic of Panama and in the Canal Zone.
2. Set up an investigating committee to go into the Canal Zone.
3. The ILO to intervene with the Executive and Legislative Branches of the United States Government for action with reference to discrimination in the Canal Zone.

Mr. Ailshie hoped it would be possible to work out a general resolution without naming any countries.

Mr. Mulliken inquired as to whether the antagonism of some of the other groups would be incurred if Senator Chavez were to oppose the resolution.

\textsuperscript{1} President of the Confederation of Workers of Latin America.

\textsuperscript{2} William K. Ailshie, Labor Attaché and Second Secretary of Embassy in Mexico.
Mr. Ailshie said the Senator took the position that it was not fair to any one country and therefore he favored a general resolution, not a specific one.

The Panamanian Delegation had the support of the Mexican workers delegation and the Peruvian workers delegation.

Mr. Ailshie stated that Mr. Phelan⁸ and the ILO group had been very cooperative.

500.C115 Mexico City/4-1340

Memorandum of Telephone Conversations, by the Chief of the Division of International Labor, Social, and Health Affairs (Mulliken)

[WASHINGTON,] April 13, 1946.

Mr. Cochran,¹⁰ CCA, telephoned me with reference to his conversation with Mr. Wiesman¹¹ in Mexico City regarding the status of an anti-discrimination resolution introduced by the Panamanian Delegation. We concluded that it would not be feasible to instruct the United States Government delegates to vote against the resolution but that they should be instructed to abstain from voting on it if the Department of Labor concurred.

I telephoned Mr. Sherman, Special Assistant to the Secretary of Labor, and gave him the facts regarding the resolution, and stated that the Department would like to have the Department of Labor join it in issuing instructions to the Government delegates to abstain from voting on the resolution. Mr. Sherman raised the question of Senator Chavez's attitude on matters of racial discrimination and of the Senator's relations with Secretary Schwellenberg.¹² I outlined the implications of the proposed resolution which would afford a basis for other governments requesting a joint official investigation of alleged discrimination in the United States. Mr. Sherman raised the point that Jamaica or Mexico might request such investigations. I also told Mr. Sherman, with reference to the Canal Zone, that I believed United States labor organizations were in the position of supporting discrimination and that as far as the Canal Zone was concerned I believed that an investigation was already under way. Mr. Sherman said that he felt it necessary to discuss the matter with the higher officers in the Department of Labor and that he would call me back.

⁸ Edward J. Phelan, Secretary General of the Third Conference of American States Members of the International Labor Organization.
⁹ William P. Cochran, Chief of the Division of Caribbean and Central American Affairs.
¹⁰ Bernard Wiesman, Adviser to the Delegates to the Third Conference of American States Members of the International Labor Organization.
¹¹ Lewis B. Schwellenberg, Secretary of Labor.
Mr. Sherman telephoned me later to say that the official position of the Labor Department was that they did not have enough information upon which to take any action. When I suggested that we might obtain further information he indicated that he thought this would be unwise. It was clear that the Department of Labor, presumably because of the relations between Senator Chavez and the Secretary of Labor, did not wish to join in taking any action on this matter. Mr. Sherman indicated however that the Department of Labor would not object if we sent instruction to abstain from voting on the resolution.

After discussing the matter with Mr. Wise in CCA 19 a telegram was sent to the Delegation in Mexico City to the effect that the Government Delegates should abstain from voting if the resolution provided for joint commissions.

500.C115 Mexico City/4-1346

Memorandum of Telephone Conversation, by the Chief of the Division of Caribbean and Central American Affairs (Cochran)


Mr. Wiesman called early Saturday morning with regard to the developments in the ILO Conference at Mexico City, especially with regard to Panamanian charges of discrimination within the Canal Zone. He said that the Panamanians had originally presented a resolution two pages long citing all the alleged discriminations which have taken place for the last 40 years, which ended with a resolution calling for the intervention of the ILO. This, of course, is impracticable, as the Panamanian delegation now understands. Senator Chavez admitted that conditions in the Canal Zone were “terrible” before the statement of the Panamanian group had been translated or Mr. Wiesman knew what we were being charged with.

Under instructions from the Department, our delegation attempted to substitute another resolution couched in general terms, but after a two-hour session, this was found to be unacceptable to Panama. In consequence, the resolution was redrafted, more or less in the following terms:

“After consideration of the interesting exchange of ideas which has occurred within the Resolutions Committee with respect to the documents presented by the Panamanian delegation concerning discrimination in the Canal Zone, based on the gold roll and silver roll, we recommend that wherever allegations are made of discrimination in one country against the nationals of another, such as are involved

19 Murray M. Wise, Division of Caribbean and Central American Affairs.
in the present complaint of the Panamanian delegation, the member governments concerned establish joint commissions to study the facts and make recommendations."

Mr. Wiesman pointed out that there was a good deal of sentiment toward strengthening the resolution by specifically naming the governments of the United States and Panama. He felt that if we did not at least go along some such action was inevitable. He consequently asked me to telephone him before 10:30 that same day, should we find the foregoing phraseology unacceptable and wish to make some minor changes. He said that the employers' delegate from the United States was reasonably satisfied with the above wording and would probably vote for it. He said the Labor and workers delegates from this country were opposed and asked that a telegram be sent to reach the delegation by Monday morning, instructing the Government representative how to vote on this question. I told him that I could see no reason why we should support such a resolution. On the other hand, if our voting against it might result in action more embarrassing to us by the ILO Conference, I felt that the least we could do would be to abstain, but promised to convey his message to Mr. Mulliken of ILH, whom Mr. Wiesman had been attempting to reach by telephone since the afternoon before, without success.

I communicated the foregoing to Mr. Mulliken who agreed that the phraseology proposed was probably as little unfavorable as we could expect, and he said that he would send a telegram instructing our delegation how to vote on it.

W. P. C[OCHRAN]

500.C115 Mexico City/4-2046

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

CONFIDENTIAL

No. 29260

MEXICO, D. F., April 20, 1946. [Received April 26]

Sir: I have the honor to report on the III Conference of American States Members of the International Labor Conference which was held in Mexico City from April 1 to April 17, 1946. . . .

The Argentine Case

The Department's instruction, telegram No. 311 of March 29, 8 p. m., 1946, was shown to the United States Government Delegates, Senator Chavez and Mr. Verne Zimmer, before the Conference opened. Senator Chavez said that we certainly should not raise any question about the Argentine Delegation; that he hoped that no one would raise any question on the subject; and that we should try to keep out of any dis-
cussion of the matter. Also, before the Conference opened, the entire American Delegation, including the representatives of Government, employers and workers, met in the U.S. Delegation Offices and discussed the Argentine case as well as other matters. Senator Chavez stated in this meeting that he would not raise any question about the Argentine. Mr. George Meany, U.S. workers' delegate, explained that he had certain reservations about the seating of the Argentine labor representatives in the Workers Group, and that he had certain commitments to the American labor movement vis-à-vis the Argentine case. Senator Chavez restated in strong terms his view that the United States Government should not raise any question about the Argentine Delegation and indicated his opinion that we should adopt a friendly attitude toward the Argentine.

Nevertheless, at the first meeting of the Selection Committee, Senator Chavez, as U.S. Government member, raised the Argentine question, apparently through a misunderstanding of the procedure, and expressed a strong pro-Argentine attitude.

The Workers Group held a number of meetings on the Argentine case, which were presided over by Mr. Robert Watt, worker member of the Governing Body of the ILO. The Workers Group decided to expel the Argentine Workers Delegation from its meetings, and refused to elect any Argentine Worker Delegate or Adviser to any committee of the Conference. This action of the Workers Group was reported to the Selection Committee on April 5, 1946, together with a statement that the Workers Group had no comment to make regarding the Chilean Workers Delegation.

At this meeting of the Selection Committee, the Secretary General of the Conference, Mr. Edward J. Phelan, who is also the Acting Director of the ILO, and Mr. Guildhaume Myrdin-Evans, Chairman of the Governing Body of the ILO, explained the procedure with respect to credentials and discussed the constitutional powers of the Conference on this subject at length. It was finally agreed by the committee that neither it nor the Conference in plenary session has any authority to approve or disapprove credentials in the absence of a formal protest. The committee therefore unanimously resolved that it had accepted and noted the credentials of all delegations and was forwarding them to the plenary session to be noted and printed in the proceedings of the Conference.

The Argentine Government Delegate, Dr. Ricardo Riguera, thanked the committee in rather effusive terms for approving the credentials of the Argentine Delegation (including the labor representatives) and expatiated on the democracy of the Argentine Republic. This brought from Mr. George Meany, of the Workers Group, a strong statement to the effect that the Argentine Government Delegates should under-
stand clearly that the action of the Workers Group in expelling the Argentine Worker Delegation from its meetings and in refusing to elect them to committees was not an idle or frivolous gesture; that, speaking for American labor, he felt that he had an obligation to the free trade-union movement in the Argentine whose members had been expelled from the country or imprisoned by the Argentine Government; and that he hoped that in the very near future the Argentine Government would permit a real free trade-union movement to function. Dr. Riguera tried to take the floor to reply to Mr. Meany, but, upon motion of Senator Chavez, the meeting was adjourned. The committee had accepted the credentials of all delegations; it had been advised of the action of the Workers Group with regard to the Argentine Workers Delegation; and it had refused to enlarge the committees.

On the following day, April 6, 1946, the plenary session adopted the report of the Selection Committee finding all credentials in order.

The action of the Workers Group in refusing to seat the Argentine Workers Delegation was induced by a double-motivation: first, the almost unanimous desire of the Workers Group to record its belief that the present Argentine labor movement is controlled by the Argentine Government; and, second, the desire of Lombardo Toledano, as president of the Latin-American Confederation of Labor (CTAL), to demonstrate the strength of the CTAL. As the CTAL has publicly committed itself to opposition to the present Argentine regime, Lombardo could not consistently support the Argentine Worker Delegation in the Conference; but, as the Soviet Government has sent a trade mission to the Argentine, he evidently did not wish to go on record as formally indicting the Argentine labor movement. He therefore compromised by agreeing to expel the Argentine workers from the Workers Group and keep them off committees, but to accept their credentials to the Conference. Mr. Meany of the AFoFL led a fight to reject the credentials of the Argentine workers, on the ground that if the Workers Group found that they were not representatives of an authentic labor movement, then the Conference as a whole should reject their credentials. Mr. Meany’s motion was defeated.

*The Panamanian Resolution on Discrimination in the Canal Zone*

The first intimation that the Delegation of Panama intended to raise the question of racial discrimination in the Panama Canal Zone came in the first working meeting of the Committee on Industrial Relations. Mr. Isaias Sánchez Barnett, Under-Secretary of Labor of Panama and Government member of the committee, raised the question of racial discrimination in the Canal Zone in a discussion of freedom of organization. A point of order was made by the Cuban Government Member, and the Chair ruled that Mr. Sánchez’ remarks were
not pertinent. Mr. Sánchez quickly brought his remarks to a conclusion, but warned that he would raise the question again. This occurred on April 6, 1946.

On April 7, 1946, Mr. Ailshie of this Embassy, who was an adviser on the Government delegation, talked with Mr. John Willard Carrigan of the Mexican Division of the Department on this subject and asked for further instructions. The Department’s telegram No. 348 of April 9, 6 p. m., 1946, instructing the United States Delegation to press discreetly for a general resolution not mentioning the United States or the Canal Zone, was received in the Embassy on April 10 and was immediately brought to the attention of the United States Delegation.

A resolution condemning racial discrimination in the Canal Zone was introduced in the Resolutions Committee by the entire Panamanian Delegation at a meeting on April 10, 1946. The text of the original Panamanian resolution may be found in enclosure No. 3 to despatch No. 29173 of April 17, 1946 as the last two pages of the enclosure, and it is marked C.R./D.3. On the motion of Senator Chavez, consideration of this resolution by the committee was postponed to permit the United States Delegation to study it.

At a meeting of the Resolutions Committee on April 11, the senior Panamanian Government Delegate, Mr. Domingo H. Turner, moved the adoption of the Panamanian resolution and spoke at length on the reasons which motivated the Panamanian delegation. In effect, Mr. Turner’s statement constituted a serious indictment of United States policy in the Canal Zone and implied that the United States had not acted in good faith.

Senator Chavez took the floor for the United States Government and stated that, while discrimination exists everywhere and while he has been one of the leaders of the fight against discrimination, he opposed the present resolution on the ground that the ILO has no authority to investigate or intervene in sovereign nations. At this point, Sr. Luis Alvarado, Government Member of the Governing Body of the ILO, took the floor and explained that the ILO lacks authority to conduct such investigations as contemplated by the Panamanian resolution.

Mr. George Meany then took the floor to point out that the resolution implied that every President of the United States since 1903 had had the power to do away with the alleged discrimination but had failed to do so, and to say that he could not and did not believe that this was true.

The committee finally adjourned, after agreeing that a special subcommittee, consisting of the Panamanian Delegation, the United

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34 Not printed.
States Delegation, and a representative of the Secretary General, should meet the following morning and draft a compromise resolution for submission to the next meeting of the Resolutions Committee.

Mr. Ailshie pointed out that the terms of the Panamanian resolution implied that the United States Government had consistently acted in bad faith since 1903; that the resolution therefore constituted an indictment of the United States; and that the proper way for the Government of the Republic of Panama to take up any complaint was through established diplomatic channels. Mr. Ailshie pointed out that the resolution was remarkable in that it failed to mention the treaty of 1936 and exchange of notes and the long series of acts of Congress and of the Chief Executive and of American Ambassadors to Panama designed to resolve this problem. He further pointed out that the resolution merely constituted a collection of allegations and that not one iota of evidence has been presented to the committee. Mr. Ailshie then suggested to Mr. Zimmer that he ask the chief Panamanian Delegate whether he was acting under instructions from his Government in raising this question at the Conference.

Mr. Zimmer asked Mr. Turner whether this would be a proper question, and Mr. Turner replied that he (Turner) was not acting under instructions from his Government, but that he was sure that he was reflecting the opinion of his Government and the people of Panama in raising it. He then denied that the Panamanian Delegation intended to question the good faith of the United States Government. He said that Senator Chavez had admitted that racial discrimination exists in the Canal Zone, and he added that everyone knows that it exists. He said that the Panamanian Government has taken this matter up through regular diplomatic channels many times since 1903, but has only obtained promises, not action. Mr. Ailshie pointed out that the present Panamanian Ambassador to Mexico, Dr. Jorge E. Boyd, was Ambassador in Washington in 1939 and that he has stated that the problem had been virtually solved at that time, but that the war emergency had introduced new complicating factors. Mr. Turner admitted that this was true.

Mr. Zimmer then said that he would undertake to lay the facts before the Secretary of Labor of the United States. It was then agreed that all reference to the United States and the Canal Zone should be deleted from the resolution. The ILO representative supported the position of the United States Delegation on this point. Mr. Turner agreed to delete all reference to the United States or the Canal Zone from the resolution, it being understood that the United States agreed to the setting up of a joint commission to study the problem. (At this point Mr. Ailshie pointed out to Mr. Zimmer that.
we could not agree to “commissions,” as this term has definite legal implications.) Mr. Zimmer proposed that we use the term “joint committees” and add the words “or other suitable agencies.” This was agreed upon by the entire sub-committee, and a draft resolution was approved, eliminating all reference to the United States and the Canal Zone and recommending equal pay and treatment for work of equal value.

Conclusions

It is difficult to evaluate the work of the Conference. In the technical field—vocational training, labor inspection, and industrial relations—it is the opinion of the American Delegation that the Conference achieved some concrete results. The exchange of views between the various government officials responsible for these matters was in itself helpful, and, it may be hoped, will serve as an incentive to all concerned. The participation of representatives of employers and workers in these discussions should engender in them a greater sense of responsibility and a better understanding of the problems involved, as well as a more objective approach to the methods and techniques required for the solution of these problems. The Latin American delegations indicated that they are desirous of exchanging students, government officials, labor leaders and other qualified personnel with the United States as a means to promote mutual understanding, increase the efficiency of the workers, and bring about better living conditions.

In the political and economic fields, the following conclusions are believed to be warranted:

Lombardo-Toledano organized and led an attack on United States political and economic leadership in the western hemisphere. His main attack was directed against our liberal trade, commercial, and industrial policy as embodied in the Economic Charter of the Chapultepec Conference. His flank attack, so to speak, was directed against our policy in the Panama Canal Zone. It is believed that he also intended to launch an attack on our other flank, against our Argentine policy, but was unable to do so because his own position was insecure and the policy of the Soviet Union toward Argentina put him in a dilemma.

Lombardo expressed his opposition to what he calls the “Clayton Plan” in his address on the Director’s Report. He was answered in no uncertain terms by Senator Chavez and Mr. David Zellerbach in

their speeches on the subject. These speeches appear in documents No. 4 and 8 of the Provisional Record. Both Senator Chavez and Mr. Zellerbach supported the principle of free enterprise as opposed to communism or other forms of State control. Lombardo frankly stated that the industrialization of Latin America along the lines advocated by him was the “main theme” of the Conference.

Lombardo carried his fight into the Sub-Committee on Economic Problems, where he proposed two resolutions which, if adopted, would have put the Conference on record in support of his views. Both resolutions were rejected by the sub-committee, the Resolutions Committee, and the Conference in plenary session. The sole resolution on the industrialization of Latin America that came out of this Conference is couched in general terms and simply calls the attention of the Economic and Social Council of the United Nations to the Director’s Report and to the proceedings of the Conference. The sole resolution on inflation that came out of the Conference merely requests the Government Delegates to call the attention of their governments to this problem.

While the Economic Charter was not specifically endorsed in the resolution on industrialization, neither was it specifically repudiated, as Lombardo would have liked. Mention of the Chapultepec Conference was inserted in the resolution on industrialization by the Chairman and the ILO representative, not by the United States Member. The United States Member strongly defended the Economic Charter per se, but did not insist that it be mentioned in the resolution. When the resolution was finally adopted, the reporter stated that the Economic Charter of Chapultepec had been adopted in principle by the committee.

In the opinion of the United States Delegation, Lombardo Toledano was defeated on the main issue, that is, communism versus free enterprise. Communist political and economic theories and practices received little, if any, support from the Conference, while the principles of free enterprise and individual liberty prevailed. This is borne out by the record.

The attack on United States labor policy in the Canal Zone was intended to diminish our prestige and stir up “anti-Yankee” feeling in Latin America. While the resentment on the part of Panamanians to certain features of our labor policy in the Canal Zone has existed since 1903, it has been skillfully exploited in recent years by the communists, led by Lombardo Toledano, in an effort to weaken Pan-Americanism and enhance the prestige of the Soviet Union, where, it

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16 Not printed.
17 For documentation on this subject, see pp. 1149 ff.
is asserted, no racial discrimination exists. It is notable that while in recent conferences the Panamanian delegations were satisfied with general resolutions condemning racial discrimination and supporting "equal pay for equal work," in the Mexico City Conference the Panamanian delegation pressed hard for a resolution specifically condemning United States policy in the Canal Zone.

As mentioned above, the resolution finally adopted makes no reference to the United States or to the Canal Zone. In that respect it represents a complete victory for us. However, Mr. Turner, chief Panamanian Government Delegate, was permitted to criticize our policy in his speeches in the Resolutions Committee and in the Plenary Session, and he received from Mr. Zimmer of the United States Delegation a letter stating that the Department of Labor will look into this situation.

It can therefore be concluded that on the main issue of the Conference, namely, Russian vs. American leadership in the western hemisphere, the United States not only maintained its position but strengthened and consolidated it.

So far as Lombardo's personal prestige is concerned, he scored a tactical victory by having the ILO publish a flattering account of the CTAL in Chapter I of the Office report on Industrial Relations, Report IV. This permitted him to publish quotations from the ILO report in his CTAL News and in El Popular, thus making it appear that the CTAL has the official endorsement of the ILO. While the Conference neither approved nor disapproved Chapter I of the Office report, Lombardo will be able to exploit this unfortunate and unwarranted endorsement of the CTAL.

Lombardo was also able to persuade the Workers Group of the Conference to pass a resolution condemning the Franco Government in Spain. He wanted the Workers Group to request their governments to break diplomatic relations with Spain, but due to the opposition of the American member, Mr. George Meany, it was finally agreed that the resolution should merely express the hope that the United Nations will repudiate the Franco regime. A copy of the resolution adopted by the Workers Group is enclosed herewith.25

To sum up, Lombardo did not completely dominate the Workers Group as he no doubt hoped to do. For example, during the discussion of the "Argentine question" in the Workers Group, Mr. Robert Watt presided over the meetings, having been elected specially for this purpose to replace Lombardo, who was the regular Chairman of the Workers Group. Moreover, several Latin American labor delegations demonstrated their independence of the CTAL, notably those of Peru and Chile.

25 Not printed.
It might also be mentioned here that the United States labor delegation took a good deal of the sting out of the charges of racial discrimination brought against the United States by the Panamanian Delegation by having Mr. Willard Townsend (colored) of the CIO address the plenary session on the morning of the day that the Panamanian resolution was scheduled to be voted on by the Resolutions Committee. This created a very favorable impression in the plenary session. Also, the fact that the two CIO advisers, Messrs. Ross and Townsend, were present and that their actuation was in perfect harmony with that of the principal delegate, Mr. Meany of the AFO, effectively silenced Lombardo Toledano and the communists on many occasions.

To all intents and purposes, the III Conference of American States Members of the ILO was a Pan-American conference—Canada being the only non-member of the Pan-American Union present—and should be judged as such. Furthermore, it was the first important conference which has been held since the war ended.

Viewed in that light, the Embassy feels that the Conference was moderately successful in maintaining inter-American unity. The presence of Canadian representatives added, rather than detracted, to this unity. However, the Embassy feels that our Government delegation would have contributed more to the Conference and to inter-American solidarity if it had been composed of men who had a greater understanding of our foreign policy and if it had functioned under more specific instructions of our Government. This Conference demonstrates that the United States cannot today look upon any international conference as being of only minor importance and as not warranting the appointment of the best available personnel. We must effectively advocate our principles, and particularly our foreign policy, in every international conference everywhere if we hope to discharge our responsibilities in world affairs. Whenever and wherever the United States speaks, its voice should be clear and convincing. Unfortunately, this was not always the case at the recent Mexico City Conference.

Respectfully yours,

For the Ambassador:

W. K. AIrshle

Second Secretary of Embassy
My Dear Mr. Ambassador: Reference is made to your letter of August 6, 1946, enclosing a copy of a confidential dispatch of July 26\(^{39}\) from the State Department, requesting that statements be prepared and submitted to the Department that might be considered as replies to the allegations made at Mexico City by the Panamanian delegation attending the ILO conference.

The allegations referred to in the State Department’s dispatch are assumed to be those made during the third conference of the American States Members of the International Labor Organization by Mr. Guevara, Workers’ delegate, Panama (Provisional Record, Eleventh Sitting, pp. 3–5), Mr. Sánchez, Government delegate, Panama (Provisional Record, Twelfth Sitting, pp. 8–11), and Mr. Turner, Government delegate, Panama (Provisional Record, Seventeenth Sitting, pp. 4–8). I shall comment on the allegations of these delegates in the order in which they were made.

Allegations of Mr. Guevara, Workers’ delegate, Panama

The allegations of Mr. Guevara concerning conditions in the Canal Zone, which are found in the ninth to the sixteenth paragraphs of his published remarks, contain so many inaccuracies and misstatements that it is difficult to believe that he has ever made any investigation of the subject. Because of the specific nature of his allegations, it is desirable to comment on them at some length.

The twelfth paragraph of Mr. Guevara’s remarks contains a number of specific allegations which will be discussed in their order.

In his reference to the “gold” and “silver” rolls of The Panama Canal, Mr. Guevara has fallen into an error that is common among citizens of Panama who have made no investigation of the subject, by defining the “gold” roll as including only the privileged workers and technicians from the north, while all Panamanian, Latin American and Caribbean workers are relegated to the “silver” roll. As a matter of fact, the distinction between the “gold” and “silver” workers is one of skill and not of race or nationality. By Executive Order of the President of the United States, all employees of The Panama Canal who receive more than $125 per month or 72 cents per hour are required to be citizens of the United States or of Panama, and the

\(^{39}\) Neither printed.
employees in this group are referred to, for convenience, as “gold” employees. Citizens of Panama whose skill entitles them to the higher salaries are employed on the gold roll and receive the same pay and the same privileges as the citizens of the United States on that roll. With the single exception that they are not entitled by law to the same retirement benefits as United States citizens. The remaining employees, who occupy positions requiring less skill or education and receive less than $125 per month or 72 cents per hour, are referred to, for convenience, as “silver” employees, the term “silver” having originated in the early construction days when local labor was paid in silver coin. The “silver” roll is composed of workers of diverse nationalities, including Panamanians, West Indians, Salvadorans, and other Latin Americans, and, occasionally, citizens of the United States, who receive less pay and more limited leave and retirement privileges than the citizens of Panama and the United States on the “gold” roll.

There is no basis of fact for the allegation that “gold” workers receive for equal work a wage considerably higher than that paid to “silver” workers. The duties of the latter group are those which do not require a high degree of skill and which are carried out under the close supervision of citizens of Panama or the United States on the “gold” roll. The usual basis for this allegation is the fact that in some instances employees on the “silver” and “gold” rolls may have the same designation, but it does not follow that such employees are performing equal work. Thus, a “silver” chauffeur driving a one-ton truck under direct supervision cannot be said to be doing work comparable with that done by a “gold” chauffeur who drives a ten-ton dump truck, or a heavy truck crane, under only general supervision and with a high degree of responsibility for the care and protection of his vehicle. Similarly, a “silver” painter is a semi-skilled artisan who has no responsibility for mixing his paints or for the erection or safety of the scaffolding on which he works, but merely applies paint, under the immediate supervision of a “gold” painter who does no actual painting except when delicate or difficult work is to be done which requires training equivalent to that obtained in an apprenticeship course followed by extended experience as a journeyman painter. The principle of equal pay for equal work is recognized and applied by the Canal administration, and when instances of violation of the principle are called to attention they are corrected promptly.

Separate schools, clubhouses, commissaries, etc., are provided for “silver” employees, but every effort is being made to see that the facilities provided for these employees are reasonably comparable with those provided for “gold” employees. The allegation that
“gold” employees drink ice-water out of sanitary individual cups while “silver” employees must drink out of unsanitary communal cups is untrue; common drinking cups are forbidden in the Canal Zone, and sanitary drinking fountains or individual cups are provided for all employees. The allegation that “gold” commissaries are better provided with food supplies than the “silver” commissaries is likewise untrue; exactly the same foodstuffs, including quick-frozen meats, fruits, etc., are available in the “silver” commissaries as in the “gold” commissaries. It is also untrue that Latin American contract workers are forced to live in unhealthy conditions which encourage the spread of contagious diseases. The barracks in which the contract workers are quartered are constructed of wood “as are more than ninety per cent of all houses for both “gold” and “silver” employees”, but they are newly-constructed and provided with excellent sanitary conveniences, and are rigidly and frequently inspected by the Health Department to insure that all sanitary ordinances are being constantly complied with. These barracks compare favorably in all respects with those ordinarily provided for laborers on construction projects in the United States.

In the thirteenth paragraph of his remarks, Mr. Guevara alleges that no adjustment was made in the wages of “silver” workers when their workweek was reduced from forty-eight to forty hours. This is not true. The rates of pay of “silver” employees were adjusted on April 1, 1946, so as to give them the same take-home pay for forty hours of work as they formerly received for forty-eight hours, and an additional increase was granted effective July 1, 1946, making a total average increase in their hourly pay since April 1, 1946, of approximately 35 per cent.

Mr. Guevara’s final allegation, in the fourteenth paragraph of his remarks, is that Latin American workers in the Canal Zone are forbidden to organize trade unions. This is not true. There has never been any prohibition against the organization of “silver” workers in the Canal Zone or any attempt to discourage their organization. An organization of employees of West Indian origin or descent (the Panama Canal West Indian Employees Association) has been in existence in the Canal Zone for many years, and the Canal administration has recognized and freely dealt with this Association on matters related to wage rates, working conditions, etc. Within the past few months a union of “silver” employees affiliated with the CIO has been organized and now claims a membership of over 10,000 employees. It is believed that the organizers of this union will be glad to testify that the Canal authorities have placed no obstacles in the way of their work but on the contrary have facilitated it. The Panama Canal has no in-
formation concerning the case of David Gonzalez, alleged by Mr. Guevara to have been discharged for attempting to organize his fellow workers. It is possible that he intended to refer to David Constable, who claimed that he was discharged for this reason but whose claim, I am informed, was found by the CIO to be unfounded after full investigation of the circumstances.

Allegations of Mr. Sánchez, Government delegate, Panama

The eleventh to the twenty-first paragraphs of the remarks of Mr. Sánchez deal with conditions in the Canal Zone. With reference to his statements concerning the fact that the Constitution of Panama does not apply to workers who live in Panama but work in the Canal Zone, it seems necessary only to refer to Article III of the Treaty of 1903, by which the Republic of Panama granted to the United States “all the rights, power and authority within the zone mentioned ... which the United States would possess and exercise if it were the sovereign ... to the entire exclusion of the exercise by the Republic of Panama of any such sovereign rights, power or authority.” Since it would obviously be impracticable to have two governments exercising jurisdiction simultaneously over the Canal Zone, it may be assumed that Mr. Sánchez was not suggesting such a division of authority, but rather that his comments were intended to indicate that without the protection of the Constitution of Panama, workers in the Canal Zone cannot be assured of the right to organize and to receive equal pay for equal work.

Such an allegation is, of course, completely untenable. All workers in the Canal Zone, with insignificant exceptions, are employed either directly or indirectly by agencies of the United States Government and are adequately protected by United States laws. As has been previously stated, the allegations that in the Canal Zone there is no freedom of association and no recognition of the principle of equal pay for equal work or of the principle of equality of treatment in general are without foundation.

Allegations of Mr. Turner, Government delegate, Panama

In the first paragraph of his remarks, Mr. Turner advances the theory that the United States has only a limited jurisdiction over the Canal Zone, and implies that the Republic of Panama, as titular sovereign, has, or should have, authority over administrative and labor relations in the Canal Zone. In answer to this contention, reference is made again to Article III of the Treaty of 1903, granting to the United States all the rights, power and authority within the Canal Zone which it would have if it were the sovereign, to the entire exclusion of the exercise by the Republic of Panama of any such
sovereign rights, power or authority, which article has never been superseded or amended.

In the second paragraph of his remarks, Mr. Turner refers to the existence of the “gold” and “silver” rolls in the Canal Zone, and repeats the allegation that the “gold” roll comprises employees from the United States who enjoy all kinds of privileges, while the “silver” roll comprises employees from Latin American and the Caribbean islands who are subject to discrimination at every turn. The similar allegations made by Mr. Guevara have been discussed above, where it was shown that the distinction between the two rolls is one of skill and not of race or nationality, and that citizens of Panama who possess the necessary skill are employed on the “gold” roll and enjoy exactly the same privileges as citizens of the United States except as to retirement benefits.

In the fourth paragraph of his remarks, Mr. Turner states categorically that in the Canal Zone there is no labor legislation, no legal basis for a trade union movement and no social security laws, and that it is a part of America that is excluded from the realm of social justice. This is a very serious charge against the Government of the United States, but fortunately it is without foundation. As I have previously said, the entire body of workers in the Canal Zone, with insignificant exceptions, are employed directly or indirectly by the Government of the United States, and are protected by United States laws. Certain of these laws, such as the one providing cash relief instead of retirement benefits for non-citizens of the United States who are unfit for further service because of age or disease, are recognized as being not entirely adequate under present-day conditions and studies are being made with a view to determining the changes that should be recommended to Congress for adoption. It can be confidently asserted, however, that the wages and working conditions of employees generally in the Canal Zone, whether they are on the “gold” roll or on the “silver” roll, are equal or superior to those of workers engaged on similar tasks in the Republic of Panama, and greatly superior to those of workers in any other part of the Caribbean area.

**GENERAL**

To the best of my knowledge, no informed critic of labor policies in the Canal Zone has ever contended that workers in the Republic of Panama are generally better off than “silver” roll employees in the Canal Zone. In fact, it is generally understood and admitted that Canal Zone employment offers many advantages over employment in Panama, as is evidenced by the large number of Panamanian citizens who are employed in the Zone and the continuing volume of applica-
tions for such employment. The real basis for the complaints that have arisen in Panama is the difference between the pay of the citizens of Panama and of the United States on the “gold” roll and the pay of the much greater number of employees of various nationalities on the “silver” roll.

The principal sources from which employees are drawn for the Canal Zone are (1) the United States, (2) the Republic of Panama, and (3) other countries and islands of the Caribbean area. By Executive Order the higher-paid positions in the Canal Zone are reserved for citizens of the United States and Panama. It is well known that the Republic of Panama (like the other countries of the Caribbean area) is predominantly an agricultural and commercial country, and that it has no large-scale manufacturing industries in which its citizens could acquire skills that would fit them for employment on the “gold” roll. There is in Panama no such system of apprentice training as exists in the United States, and the few workers who may have acquired a considerable degree of skill from long experience are likely to have only an imperfect command of English and therefore to be of only limited usefulness in the higher positions in the Canal Zone, where English is used entirely. In view of these conditions and the fact that Panama is a small country, with a population of only about 650,000, it is not surprising that the number of citizens of Panama on the “gold” roll is small in comparison with the number of United States citizens on that roll. Before World War II made its discontinuance necessary, the Panama Canal conducted apprentice-training courses from which a number of Panamanian citizens who had a thorough knowledge of English were graduated and are now performing very satisfactory services on the “gold” roll. When it becomes possible to re-establish the apprenticeship system, additional opportunities will be afforded to Panamanians to obtain this training. It should be recognized, however, that the standards established for employment in the Canal Zone are necessarily and properly high and that only highly-skilled Panamanians who are completely at home in the English language can compete on an equal footing with the skilled workers who have been trained in the vast industries of the United States.

Since the great majority of the skilled employees in the Canal Zone must be drawn from the United States, the wage rates for “gold” roll employment are based on prevailing rates in the United States, but are sufficiently above those rates to attract the best type of applicants; and liberal leave and retirement privileges are granted to insure retaining highly-qualified employees. Although many of the reasons for the liberal wages and privileges do not apply to “gold” employees drawn from the Republic of Panama, the latter are nevertheless given
the same pay and privileges (except retirement benefits, as previously stated), in recognition of the principle of equal pay for equal work.

For employees on the "silver" roll, who are drawn largely from the Caribbean area, wage rates are based upon but are higher than those prevailing in the Caribbean area. A consistent effort has been made to avoid fixing rates which will be so high as to affect seriously the economies of the countries of the Caribbean area, although this effort has not always been successful, as is evidenced by the statements already mentioned of President Arias of Panama and Mr. Guevara concerning the damage done to the agricultural economy of Panama by high wage rates in the Canal Zone. The Panama Canal administration is constantly endeavoring to better the living conditions of the "silver" employees by improving their schools, clubhouses, hospitals, housing, etc., and will continue these improvements as rapidly as appropriations for the purpose can be obtained.

For the sake of brevity, I have avoided discussing exhaustively the various allegations made by the Panamanian delegates, but if additional information is desired concerning any of the matters touched upon, I shall be very glad to furnish it.

I am [etc.]  

J. C. MEHAFFEY

500C.115 Montreal/10-1546

Memorandum by Mr. Murray Wise of the Division of Central Caribbean Affairs

CONFIDENTIAL  

MONTREAL, September 25, 1946.

I propose calling Mr. Wiesman at noon today to relate the following instructions:

(1) It is deemed advisable that the United States delegation at Montreal make no written statements to the Panamanian delegation. However, there is no objection to handing the Panamanians a copy of Governor Mehaffey's statements in reply to the allegations made at Mexico City. The Governor approves (see Embassy's telegram no. 622, September 24 [21]). In addition to the foregoing the Panamanians can be told:

(2) On June 6 Governor Mehaffey announced an increase in rates of pay for virtually all "silver" employees. Some 20,000 laborers will benefit from the pay increase which will add approximately $1,500,000 annually to the payrolls.

(3) According to a circular issued July 23 at Balboa Heights by Governor Mehaffey, dependents of all but a relatively small percentage of "silver" employees in the Canal Zone will be immediately

[20] Addressed to Mr. Willard F. Barber, Assistant Chief of the Division of Caribbean and Central American Affairs, Mr. John Tipton Fishburn, of the Division of International Labor, Social, and Health Affairs, and Mr. Ellis O. Briggs, Director of the Office of American Republic Affairs.

eligible for hospital treatment. Now that the patient load in Canal Zone hospitals has been reduced, dependents of all “silver” employees hired on or before April 15, 1942, with identification cards numbered 200,000 or lower, are eligible for treatment. Under previous regulation only dependents of employees hired before November 18, 1939, with identification cards numbered 42,000 or lower, were eligible.

(4) The Commanding General, Panama Canal Department, on August 22 issued the following statement: “The War Department prohibits discrimination amongst War Department civilian employees on account of race, creed or color. The classifications for pay and administration purposes in effect in the Panama Canal Department are based upon the skill and qualifications of the employee. When operating out of the continental United States, the War Department requires that local prevailing wage scales shall obtain, which is the case here. No classification other than that indicated above is in effect.”

(5) The U.S. Embassy at Panama advises that the question of alleged discrimination is item No. 2 on the agenda for the round table conferences currently under way and is, accordingly, being given constant and serious attention.

(6) Governor Mehaffey has advised that the announcement of the setting up of a “complaint board” is expected soon. It provides for the handling of grievances in four stages; namely, from the employee’s immediate supervisor to the Executive Office.

(7) On September 10 Governor Mehaffey announced that the present limited apprenticeship program in the Canal–Railroad organization would soon be in effect when trade training will be open to young men of United States or Panamanian citizenship.

(8) Governor Mehaffey is presently making a study relative to a change in the old system of classifying employees as “gold” and “silver”.

While the Department cannot give the foregoing in writing to the Panamanians there would seem to be no objection to stating orally to them that these indications from the Canal Zone show a definite serious attempt to meet certain allegations of discrimination.

N.B.—Keep matter out of press at Montreal, if possible. Explain to Mr. Morse \(^{22}\) “highly political” nature of this question in Panama.

Approved by ARA—

Mr. Briggs

500C.115 Montreal/10–1546

The Secretary of Labor (Schwellenbach) to the Secretary of State

WASHINGTON, October 15, 1946.

DEAR MR. SECRETARY: As you are undoubtedly aware, at the American Regional Conference of the International Labor Organization held at Mexico City in April 1946 and at the International Labor Confere-

\(^{22}\) David A. Morse, Assistant Secretary of Labor.
ence held in Montreal in September and October 1946, the Panamanian Delegation made allegations that there was discrimination against their nationals by the United States in the Canal Zone.

At the Montreal Conference the problems were fully explored by representatives of this Government and of the Panamanian Government. The discussions on the part of our Government were conducted by David A. Morse, Assistant Secretary of Labor, who gave his personal attention to this matter throughout because of its importance. He had representatives of the State Department at his conferences with the Panamanian representatives and he consulted your Department concerning those phases of the negotiations in which your Department was interested. He also kept fully advised Senator Elbert Thomas of Utah, Chairman of the Senate Committee on Military Affairs, who attended the I.L.O. Conference with Mr. Morse as the other United States Government Delegate and Lt. Colonel Thomas Lane, who attended the I.L.O. Conference as War Department Observer.

The following developments in this matter occurred at Montreal:

1. On September 20, Mr. Morse conferred with the representatives of the Panamanian Government (at their request) at Montreal and asked them to make a full statement of their case. They made two main allegations: (a) that there is economic discrimination between Panamanian workers and American workers who are employed in the Canal Zone in that a higher wage scale is maintained for American workers (known as “gold roll”) than for Panamanians (known as “silver roll”) who do the same work, and (b) that there is social discrimination against Panamanians which hurts their national pride in that different drinking fountains, movies, group houses, stores, etc., are established for United States citizens.

2. The allegations were discussed at great length. Mr. Morse assured the representatives of Panama that the United States Government is most anxious to adjust any grievances which may exist; that we had been looking into this matter; and that we were still investigating the question of possible discrimination. He informed them that our Government would conclude its investigation shortly and that we would let them know what we found and what we intended to do to correct grievances if we found that grievances existed. The Panamanians asked to have this put in writing. Mr. Morse replied that before giving them any official written statement, it would be necessary for him to consult Washington.

3. The attached “Confidential Memorandum”, marked “Attachment No. 1”,23 is a full summary of the foregoing conversation. I will avoid restatement in this letter of the details which are set forth in that memorandum.

4. After that conference Mr. Morse instructed Mr. Wiesman, a representative of your Department, to telephone the Department and request advice.

23 Not printed.
5. The State Department transmitted a memorandum dated September 25, a copy of which is attached as Attachment No. 2, outlining a “proposed statement to Panamanian labor delegation at Montreal”. This proposed statement authorized Mr. Morse to deliver to the Panamanian representatives a copy of a letter from J. C. Mehaffey, Governor of the Canal Zone, to the Honorable Frank T. Hines, American Ambassador at Panama. A copy of this letter, dated August 20, 1946, is attached as Attachment No. 3. This letter is in the nature of a preliminary report and covers allegations made by the Panamanian Delegation at the American Regional Conference of the I.L.O. held in Mexico City in April 1946. In addition, Mr. Morse was authorized to inform the Panamanians that other constructive action had been taken and was being taken currently as specified in the State Department communication of September 25.

6. Upon receipt of this State Department instruction, Mr. Morse again conferred with the representatives of Panama on September 27. He handed them a copy of the letter from Governor Mehaffey, made oral statements consistent with the State Department’s instructions of September 25, and assured the Panamanians of our desire to be constantly alert to any problems which arise in the Canal Zone which may be considered grievances. He also assured the Panamanians that we would inquire into the matter further so that a day to day consideration could be given to the problems which are alleged to exist in the Canal Zone. They were completely satisfied with this explanation and stated that as a result of these discussions they would revise speeches they had intended to make on the floor of the International Labor Conference. For your convenience, I am attaching, as Attachments Nos. 4 and 5, respectively, copies of Mr. Wiesman’s preliminary report to the State Department, dated September 28, and his memorandum to the State Department, dated October 1, which cover in more detail the discussions of September 27 and their impact upon the Panamanian Government delegate’s speech on this subject at the I.L.O.

This is a problem which has been giving our Government some concern for many years and which was brought to a head at the Mexico City Conference this year. At that time Mr. Zimmer, representing the Labor Department, succeeded in keeping the Panamanians from discussing the problem on the Conference floor by assuring them that the matter would be referred to the Secretary of Labor. It is clear that there are some serious political questions involved in this matter. It seems to me that we cannot permit this problem to rest in its present posture.

Mr. Morse has suggested the possibility of steps being taken to settle this problem finally. Simultaneously with transmittal of this letter, I am informing the Secretary of War of all facts relevant to this situ-

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24 Supra.
25 Ante, p. 54.
26 Neither printed.
ation. I am requesting him to designate representatives who may consult with Mr. Morse and your representatives concerning appropriate action to be taken. If you will designate representatives for this purpose, I am sure that Mr. Morse will arrange for an early conference between the representatives of these three Departments regarding a solution to this problem.

Yours very truly,

L. B. Schwellenbach
CARIBBEAN REGIONAL AIR NAVIGATION MEETING

[For information on the Caribbean Regional Air Navigation Meeting of the Provisional International Civil Aviation Organization at Washington, August 26–September 13, 1946 (attended by representatives of the following 20 countries: Argentina, Brazil, Canada, Chile, Colombia, Costa Rica, Cuba, Dominican Republic, El Salvador, France, Haiti, Honduras, Mexico, Netherlands, Nicaragua, Panama, Peru, United Kingdom, United States and Venezuela), see Department of State publication No. 3031, International Organization and Conference Series No. I: Participation of the United States Government in International Conferences, July 1, 1946–June 30, 1947, page 98.]
PARTICIPATION OF THE UNITED STATES GOVERNMENT IN THE SECOND PAN AMERICAN CONGRESS OF MINING ENGINEERING AND GEOLOGY, RIO DE JANEIRO, OCTOBER 1, 1946

Memorandum to President Truman by the Acting Secretary of State

[WASHINGTON,] September 23, 1946.

This Government has received an invitation extended by the Government of Brazil to participate in the Second Pan American Congress of Mining Engineering and Geology to be held in Rio de Janeiro, beginning October 1, 1946.

In addition to technical studies regarding the nature, location, and production of the mineral resources of the American Republics, the agenda for the subject Congress includes discussion of inter-American policy regarding mining legislation, import-export arrangements, and social and fiscal laws regarding mining. This program affects the foreign economic policy of this Government as well as technical mining engineering and geological matters. I am proposing, therefore, after consultation with the Secretary of the Interior, that a Delegation representing this Department, the Department of the Interior, and the United States Section of the Pan American Institute of Mining Engineering and Geology be sent to this Congress.

I recommend that you designate the individuals named in the list attached hereto¹ as members of the United States Delegation, in capacities as indicated.²

WILL CLAYTON

¹ Not printed.
² The following notation appears in the margin: "Approved. Harry Truman 9/24/46." This approval included the designation of Paul C. Daniels, the Chargé in Brazil, as Chairman of the delegation, and the following as delegates: R. R. Sayers, Bureau of Mines, Edward Steidle, Pennsylvania State College, and W. E. Wrather, Geological Survey.
The Acting Secretary of State to the Chairman of the American Delegation to the Second Pan American Congress of Mining Engineering and Geology (Daniels)

WASHINGTON, September 28, 1946.

No. 243

Sir: In your capacity as Chairman of the United States Delegation to the Second Pan American Congress of Mining Engineering and Geology to be held at Rio de Janeiro, Brazil, beginning October 1, 1946, I shall appreciate your communicating to the other members of the Delegation the position to be upheld at the forthcoming Congress.

This is an official governmental conference and consequently the delegations will represent the official views of the respective governments. Our Delegation at the Congress must act as a unit in representing the United States and should invariably present a solid front. Any divergent views among its members should be resolved in private meetings of the Delegation, thus leaving no possibility that embarrassing differences of opinion might appear in open discussion. The members of the Delegation will, of course, represent before the Congress the views of the Government of the United States rather than those of the respective individuals or of organizations or groups with which they may be affiliated. This is not intended to bar the expression of personal views which are not inconsistent with these instructions or Delegation policy. In these cases not covered by instructions or Delegation policy, personal views may, of course, be expressed, but these should generally be clearly qualified as personal.

As Chairman, you shall be responsible for adherence to the policy of the United States by all members of the Delegation, and in the event of any division among the members on such matters, your decision shall be final and binding upon the Delegation.

Papers prepared by members of the Delegation for presentation before the Congress which have not been reviewed by the Department, may be approved by you in the light of the instructions contained in this letter. Papers not approved by the Department or by you, if presented, must be clearly identified as expressing the personal as distinct from the official views of the writer.

You are authorized to request any member of the Delegation to attend or speak for you as Chairman, in the event of your absence, or inability to attend sessions of the Congress and in any other instances in which you are unable to exercise the functions of your position.

In accepting the invitation of the Brazilian Government to send an official United States Delegation to this Congress, the Department
was keenly aware of the importance of the meeting with respect to its relation to our general economic foreign policy. This government has just released to the public the *Suggested Charter for an International Trade Organization of the United Nations*. This document outlines proposed objectives, guiding principles and administrative procedures for the proposed organization. Among the paramount aims are the reduction of tariffs and other trade barriers, and expansion of the production, exchange and consumption of goods, directed toward creation of an expanding world economy and higher standards of living and economic conditions favorable to maintenance of world peace. The development and exploitation of mineral resources, which will be among the important topics of discussion at the Congress, are related to those aims, particularly as regards tariffs, wage levels, investment of capital, and taxes. It therefore becomes of great importance that the United States Delegation endeavor to have excluded from the resolutions and recommendations of the Congress anything that might prejudice the success of the impending meetings scheduled to secure acceptance of the proposed charter of the World Trade Organization.

To ensure this, it would appear desirable for the United States representatives to propose, if opportunity permits, that the Congress reaffirm the principles outlined in the Economic Charter of the Americas (Resolution LI of the Final Act of the Inter-American Conference on Problems of War and Peace, Mexico City, March 1945). Such action by the Congress would reaffirm these principles as a framework for the subsequent resolutions and recommendations to be evolved during the course of discussions at the conference.

The ten principles of the Economic Charter of the Americas include several which may prove very useful to refute any attempts on the part of other delegations to sponsor resolutions subscribing to the expansion of state monopolies. A review of the record of the First Congress held in Santiago, Chile, January 1942, shows that a strong effort was made by the Argentine Delegation to introduce proposals advocating monopolies on mineral products, nationalization of the mining, power and transportation industries and state control of wages, production and dividends. Advice now reaching the Department of State indicates that Argentina is sending a strong Delegation to this Second Congress and may seek again to introduce the theme of nationalization for Latin American mining. If a resolution ensuing from any such proposals be brought to a vote before the meeting, the Delegation should abstain, enter a reservation, or present a statement accompanying its negative vote, depending on the circumstances.

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*For documentation on various aspects of United States economic foreign policy, see vol. 1.*
The Delegation which you will head will without doubt be able to contribute materially to the studies of the Congress regarding the technical problems of the mineral industry. In addition to research and operating problems, important topics should be the furtherance of the exchange of scientific and specialized personnel between the American republics and the promotion of the exchange of students and faculty among the universities of the several countries, leading toward a greater understanding between the peoples of the Americas. Among other measures the Delegation could support or even sponsor is, for example, agreement to promote uniform standards of mineral statistics. This would contribute greatly to the usefulness of data interchanged among the various countries. Another valuable contribution would be the compilation of the mining codes of the American republics with the objective of promoting a greater knowledge of these laws for the benefit of interested parties and perhaps tending toward increased general conformity and elimination of undesirable and restrictive provisions in the various codes.

Although it is not considered appropriate for the United States Delegation to initiate the discussion, the Delegation should be prepared to support in the strongest manner, any proposal or resolution directed to the encouragement of the relaxation of restrictive mining regulations in the American republics. Likewise, support should be given to measures looking toward the moderation or removal of exchange controls, undue restrictions on private foreign investment, excessive taxation and other practices not in harmony with the spirit of the Economic Charter of the Americas.

It is possible that emphasis may be placed on the steadily increasing wage scales in Latin American mining operations as a serious threat to continued profitable production from existing mines and to development of new deposits. The answer to this is, of course, far from simple, in view of the unique conditions of mining and the unusual hazards attached to new ventures in this field, and also in view of the fact that different conditions exist in every operation. However, the ultimate objective of this country’s economic policy, an expanding world economy to create the atmosphere for enduring world peace, is keyed to higher standards of living which in turn depend on greater productivity which will make possible rising wage levels for all types of labor. The continued high production of United States and Canadian mines in the face of greatly increased wage rates during the last thirty years can be cited as examples indicating that improved production methods permit the payment of higher wages to skilled and efficient labor.

In July of this year the President approved the Stockpiling Act providing for the accumulation of stocks of strategic materials in
which this country is deficient. The Congress also appropriated $100,000,000 for purchase of these materials to initiate the program. In order to meet anticipated stockpile goals, it will be necessary for the United States to import very large quantities of strategic materials, by far the largest items being minerals and metals. Although the countries of Central and South America together with Canada and Newfoundland in their normal capacity as sources of supply may be called upon to furnish a sizeable proportion of the total requirements, it is not proposed to arrange any special measures for this purpose. Purchases will be made in accordance with the availability of materials of desired quality, not by reference to geographic area. Much has been said in the past and may be repeated in the future, concerning the desirability of hemispheric self-sufficiency both from a resources as well as military security viewpoint. This Government is unqualifiedly opposed to the principle of economic spheres and the Delegation to the present Congress should strive to support the idea of an interchange of manufactured goods and raw materials between all the nations of the world as the only road to creation of the expanding world economy essential to lasting peace.

During the course of the Congress, the subject of the convocation of the Third Congress will be raised. Should the suggestion be made that the United States act as host, you will seek discreetly to avoid the sponsorship of the next Congress by this Government and in expressing appreciation for the suggestion, point out that you are not authorized by your official instructions to extend an invitation on the part of the United States Government. In this connection, it is considered that the expense of holding sessions of the Congress more frequently than once every two years is not justified in the absence of special circumstances.

You will appreciate, I am sure, that the members of the Delegation are not authorized to offer any written or oral statement or to enter into any agreement which might be construed as committing this Government to a definite course of action or which might involve an obligation to expend funds not previously appropriated or allocated. Since this is a technical meeting devoted to problems in the field of engineering and geology, it is considered unlikely that any matters of a political or diplomatic character will arise. The Delegation should attempt to confine the discussion in so far as possible to the technical problems on the agenda. However, should difficult or controversial points arise to which there may appear to be no ready solution, it is recommended that the guidance of the Department be sought by telegraph.

Upon the completion of the Congress, you are requested to submit to the Secretary of State an official report covering the work of the
Delegation and the action taken by the Congress. Enclosed for your convenience is a suggested outline for your report which will serve as a convenient checklist of items to be covered and will provide a degree of uniformity with reports of other American delegations, all of which will either be printed separately or summarized in the Department's Conference Series. The official report should be supplemented by a confidential report containing any other items which in your opinion should be made a matter of confidential record.

You undertake your responsibilities with the assurance of my keen interest and wholehearted support. I have every confidence in your ability to reflect credit on the United States in this undertaking.

Very truly yours,

WILLIAM L. CLAYTON

563 Rio de Janeiro/10-2246

The Chairman of the American Delegation to the Second Pan American Congress of Mining Engineering and Geology (Daniels) to the Secretary of State

RESTRICTED

RIO DE JANEIRO, October 22, 1946.

No. 940

SIR: I have the honor to refer to the Department’s Instruction No. 243 of September 28, 1946, addressed to me as Chairman of the Delegation of the United States of America to the Second Pan American Congress of Mining Engineering and Geology, held at Petropolis, Brazil, October 1st through the 15th, 1946. In accordance with the Department’s request in the penultimate paragraph of the subject instruction, I am transmitting herewith a confidential report summarizing the procedures and accomplishments of the Congress with particular reference to participation by the United States Delegation. Since the Secretariat of the Congress has not yet had opportunity to transcribe and distribute the final resolutions of the Congress and the text of closing statements, it is not possible at this time to prepare the official report on the Congress. As soon as it is possible to obtain pertinent documents of the Congress, these will be forwarded by the Embassy to the Department for inclusion in the report.

Official delegations from Brazil, Argentina, Chile, Peru, Bolivia, Canada, Uruguay, El Salvador, Dominican Republic and the United States were in representation at the Congress. The total attendance of these delegates together with representatives of technical schools and mining corporations totalled about 350 persons. In addition to the official U.S. Delegation listed in Department’s telegram No. 1262

*Not printed.*
of September 25, about twenty other U.S. representatives from such agencies and corporations as the U.S. Bureau of Mines, the U.S. Geological Survey, Ventures, Ltd., the Engineering and Mining Journal, M. A. Hanna Company, the Standard Oil Company (N.J.) and the Denver Equipment Company took active part in the discussions of the Congress.

The Congress was officially convened on October 1st with formal statements of welcome by Brazilian officials. On the same day, the credentials of the official delegations were checked and the various commissions were established to discuss papers presented to the Congress. The main work of the Congress began on the ensuing day and at the first opportunity a meeting of all United States representatives was called to outline the Department's views with respect to this meeting. The important aspects discussed in the Department's instructions were briefly covered. In summary, the following points were made:

1) The delegation was instructed to achieve unanimity in the expression of any official views. Personal opinions expressed by any of the representatives or delegates were to be clearly indicated as such.

2) All papers presented by members of the delegation should be cleared with the chairman.

3) The chairman requested all representatives to call to his attention any discussions or resolutions which appeared to be contrary to U.S. foreign policy.

4) It was announced that the official delegations of the various countries were to be each accorded three votes and that the chairman would designate the voting members of the delegation at the appropriate time.

5) With respect to the subject of the locale for the next Congress, the chairman pointed out that this delegation could not make any commitments in the name of the United States government but that the U.S. Section of IPIMIGEO was not impeded from extending an invitation on its own responsibility, if such was its desire.

6) The delegates were requested to submit information regarding the work of the Congress to Mr. Brown, Minerals Attaché of the Embassy, and Mr. Wendel of the Department of State for collation and eventual inclusion in an official report on the Congress.

7) The chairman requested that all drafts or resolutions intended for presentation by United States delegates be cleared with him.

8) The delegation was cautioned not to initiate any discussions regarding mining policy in view of the fact that the work of the Congress was basically on technical subjects. However, he stated that he was prepared to propose a reaffirmation of the Economic Charter of the Americas if this appeared necessary to thwart resolutions or proposals prejudicial to the foreign policy objectives of the United States government.

* Not printed.
As the actual work of the Congress commenced, the United States representatives were distributed among the twelve commissions created to review the papers presented to the Congress and to recommend appropriate resolutions based on discussion of these papers.

From the viewpoint of the Department, the 7th Commission dealing with mining legislation and policy and the 8th Commission dealing with mining economy, commerce and trade in minerals were of foremost importance and consequently the progress of discussions at these two commissions was watched closely. Several controversial papers had been referred to these commissions and after some lengthy argumentation it became necessary for the presiding officers to appoint sub-committees to determine whether or not the points of view of the authors should be accepted as the bases for the formulation of the conclusions of the commissions. These sub-committees subsequently reached agreement that all of these papers should be published. However, it was recommended that the reports of the commission include appropriate wording to make clear that although the papers were worthy of study, the conclusions reflected only the opinion of the author, and not necessarily that of the Congress. These recommendations were approved by the commissions which then were prepared to proceed with the preparation of appropriate resolutions. Among the resolutions formulated for approval by the plenary body of the Congress, was the re-affirmation of the Economic Charter of the Americas, particularly emphasizing the relation of the ten principles of the Charter to the mining industry. (Resolution LI of the Final Act of the Inter-American Conference of Chapultepec, 1945). It is not believed that the Congress approved any resolutions prejudicial to United States policy.

In view of the Department’s comments with respect to expected action of the Argentine Delegation, I am happy to state that this delegation was extremely co-operative in furthering resolutions consistent with the superior economic commitments of the American Republics. The controversial papers referred to above, were presented by unofficial representatives of other countries and in the evolution of formulae to reconcile the individual viewpoints with international economic policy, the Argentine and also the Brazilian Delegations strongly supported the United States position on these matters.

Although a complete account of the resolutions passed by the Congress will be included in the official report, it appears desirable to enumerate here several of the more important resolutions of particular interest to the United States Delegation in this report. The Congress, inter alia, resolved:

1) To re-affirm the Economic Charter of the Americas; (introduced (by pre-arrangement) in Commissions 7 and 8 by a United States representative, not a member of the official delegation).
2) To sponsor creation of a Pan American Institute of Mining Law, subsidiary to IPIMIGEO, with headquarters in Argentina; (sponsored by an Argentine delegate).

3) To promote uniform standards of statistics and technical terms; (suggestion informally made to Brazilian delegates and eventually introduced in the final resolutions of Commission 8).

4) To encourage the exchange of information on the mineral industry and of the promotion of cooperative exchanges of professors, geologists and mining engineers among the American countries; (introduced by the United States Delegation on Commission 9).

5) The promulgation of laws clearly outlining the norms affecting profit on and amortization of foreign capital invested in the various countries, intended to encourage foreign capital investments.

The recommendation made by a member of the United States Delegation for the creation of a commission on engineering and geology was taken under consideration by the Executive Council of IPIMIGEO.

The entire United States Delegation was completely aware of the limitations existing with respect to encouragement of the convocation of the Third Congress in the United States. However, from the very beginning, it was noticeable that most of the South American delegates assumed that the United States would be prepared to serve as host to the next Congress, because South American countries had sponsored the first two Congresses. Although the question of the locale of the Third Congress was on the agenda for the final day of the meeting, the subject unexpectedly arose for discussion in a sparsely attended plenary session on October 6th while many representatives were preparing to leave on the excursions. Presumably to table an anticipated invitation by the Argentine Delegation, the Brazilian delegates offered a resolution favoring the United States as the site of the next Congress. Because this resolution is of interest to the Department, I am enclosing a copy of the resolution in the form it was approved by the Congress. It is interesting to note that in the final session of the Congress, the Mexican Ambassador to Brazil extended an invitation for the Congress to be held in Mexico City. The Canadian delegate also expressed his hope that Canada could some day act as host to a Congress, subject to the action of his parliament regarding the necessary appropriation.

Referring to the expected Argentine invitation during the recess of the Congress, the President of the Congress received an official letter from the Government of the Department of Mendoza, Argentina, offering financial support in the amount of Fifty Thousand Argentine Pesos, if Mendoza, Argentina, should be selected as the site of the Third Congress.

\[5\] Not printed.
Most of the delegates and representatives attending the Congress took advantage of excursions arranged for the week of October 6th to 13th. These excursions gave the visitors and their Brazilian hosts an opportunity to visit many important mining and metallurgical plants and technical institutions of the country, including Morro de Mina manganese operations, the Casa de Pedra iron mine, the Morro Velho gold mine and mill, the diamond fields near Diamantina, the coal fields of Santa Catarina and Rio Grande do Sul, the aluminum refinery at Ouro Preto, the new Volta Redonda Steel Plant, the charcoal-iron blast furnaces in various locations; the industrial cities of Belo Horizonte and São Paulo and the mining schools in Rio de Janeiro, São Paulo and Ouro Preto. It is the unanimous opinion of the United States delegates that these excursions were of the utmost value in promoting friendships with the representatives of all the other countries in attendance as well as furnishing a valuable impression of the character of the country, its economy and its people.

It is my considered opinion that the Congress was an outstanding success, particularly in providing the forum for a friendly exchange of knowledge and viewpoints on technical subjects. I believe also that it tended to promote basic contacts among technicians and mining personnel which will go far to implement the expansion of the mining industry in the Americas. The magnitude and variety of the subjects discussed in the various commissions can be judged by the fact that 172 papers were presented, reviewed and recommended for publication in the annals of the Congress.

It would not be fitting to omit reference to the magnificent hospitality afforded the visiting delegates by their Brazilian hosts. The provision of Two Million Cruzeiros (One Hundred Thousand Dollars) for the sponsorship of the Congress by the Brazilian Government through Decree-law No. 8,748 of January 21, 1946, made possible economical rates for transportation and lodging without which many delegates might have been severely handicapped during their attendance at the meetings and on the excursions. It was quite evident that representatives of the other countries were as greatly impressed with the hospitality of Brazil as were the United States personnel.

Respectfully yours,  

PAUL C. DANIELS
THE WITHDRAWAL OF THE PROCLAIMED LIST AND THE RESOLUTION OF THE EMERGENCY ADVISORY COMMITTEE FOR POLITICAL DEFENSE CONCERNING NAZI INFLUENCES

740.00112A EW/2-1146: Circular telegram

The Secretary of State to Certain Diplomatic Representatives in the Eastern Hemisphere and to All Diplomatic Representatives in the Western Hemisphere

SECRET

WASHINGTON, February 11, 1946—8 p. m.

Executive Com on Economic Foreign Policy today approved following program for continuation of Proclaimed List.

"European Hemisphere

(1) PL shd be withdrawn from any country where it is in danger of losing its effectiveness without prospect of averting such loss of effectiveness. At present time List cannot be considered to have lost its effectiveness in any country in European Hemisphere.

(2) List for Eastern Hemisphere shd not be withdrawn on May 8 but shd be continued as long as it can serve a useful purpose in implementation of program for elimination of German-owned and controlled firms in European neutrals.

Western Hemisphere

(1) PL shd be completely withdrawn from any of other Am republics as soon as local controls program has been completed.

(2) PL shd be withdrawn from any of other Am republics where it is in danger of losing its effectiveness without prospect of averting such loss of effectiveness.

(3) PL shd be completely withdrawn from Western Hemisphere with possible exception of Argentina, one year after V-E Day, i.e., May 8, 1946, provided, if any Western Hemisphere country shd request continuation of PL for that country beyond that date, such request would be given due consideration.

(4) Mr. Braden’s office shd be requested in early part of April for its recommendation concerning continuation of List for Argentina beyond May 8, and possible similar action in other countries which have not satisfactorily carried out replacement program."

London is requested to discuss this immediately with Brit authorities re forthcoming Safehaven negotiations in order to obtain

1 For further documentation, see the pertinent chapters under each country in the Table of Contents.
2 Spruille Braden, Assistant Secretary of State for American Republican Affairs.
3 For documentation on the Safehaven program, see Foreign Relations, 1945, vol. ii, pp. 882 ff.
agreement to this program for Proclaimed and Statutory Lists. Document which forms basis for Com's recommendation is being transmitted to you air mail and copy being given to Brit Emb here.

Byrnes

740.00112A E.W./3-2946

Press Release Issued by the Department of State, March 29, 1946

It is and will continue to be the avowed policy of this Government to apply a vigorous enforcement program against dealing with persons and firms on the Proclaimed List of Certain Blocked Nationals. Failure to obtain a Treasury license before engaging in trade or communication with such persons and firms constitutes a violation of the Trading with the Enemy Act 4 and regulations issued thereunder, and subjects the offender to severe penalties. Recent revisions of the Proclaimed List do not in any way lessen the obligations of persons and firms subject to the jurisdiction of the United States to observe all the regulations relating to the List.

It already has been pointed out that many of the recent deletions from the Proclaimed List were made as a result of the changed security situation and that such deletions did not by any means imply that all deleted firms now are satisfactory representatives for American business. In this connection, American businessmen are cautioned not to establish or resume commercial or financial relations abroad with ex-Proclaimed List nationals before checking with the Commercial Intelligence Branch of the Department of Commerce as to the desirability of such relations. Business connections with former Proclaimed List individuals and firms, except those who have been deleted from the Proclaimed List without prejudice, would have to be a factor considered in cases arising for the protection of American interests abroad. While our Government always will protect the legitimate rights and interests of American business abroad, it would not wish to take any action which would assist those who formerly had worked against our vital national interests and who might do so again if opportunity offered.

The Department of Commerce is prepared to supply information about the local standing of persons and firms, including those previously listed, and to submit detailed information about the suitability of these and other foreign firms and individuals as trade connections from a commercial and mercantile standpoint.

4 Of October 6, 1917 (40 Stat. 411), and subsequent amendments.
Memorandum of Conversation, by Mr. T. R. Martin of the Division of River Plate Affairs

April 3, 1946.

Subject: Withdrawal of Proclaimed List

Participants: Messrs. Frost and McCombe—British Embassy
Mr. Rubin—ESP
Mr. Surrey—ES
Mr. Baker—ES
Mr. Monsma—ES

Mr. Birch—ES
Mr. Gilmore—RPA
Mr. Martin—RPA

The meeting concerning the subject was called at the request of the British in order that they might present their views. These views are: (1) the British desire that the Proclaimed List be withdrawn for all countries simultaneously on May 8; (2) the British are prepared to retain the Proclaimed List for the Eastern Hemisphere but not for the Western Hemisphere until June 30, in view of negotiations presently underway with the European neutrals concerning the vesting of enemy assets; (3) the British are opposed to any further distinction in the withdrawal of the Proclaimed List among the American republics.

In general the British believe that the Proclaimed List as a trading list has served its purpose, and that further continuance of the List anywhere in the world for a trading purpose would be ineffective and for any other purpose inappropriate. The List is regarded as presently impotent and laboring under the enervating burden of rumors with respect to its withdrawal. In the event, however, that the United States Government feels strongly that the List should be continued in the Eastern Hemisphere to support current negotiations with the European neutrals, London will agree to an extension of the terminal date of the List for the Eastern Hemisphere to June 30. June 30 is the terminal date for certain related British controls. The extension, however, would be acceptable only on the understanding that the List for the Eastern Hemisphere would be very definitely withdrawn on June 30. Only compelling circumstances such as the prospect of the immediate signature of an agreement could be regarded as sufficient reason for the continuance of the List for the European neutrals beyond June 30. Only further extension beyond June 30 would have to be of an extremely short duration and the special circumstances most impelling. Both Messrs. McCombe and Frost emphasized that British freezing controls would be continued to support further the European negotiations.

* Office of Economic Security Policy.
* Division of Economic Security Controls.
The British appeared to feel quite strongly that the continuance of the Proclaimed List beyond May 8 for any or all of the American republics would serve no purpose. It was contended that the republics whose controls are based on the Proclaimed List should immediately make such amendments as were necessary to free them of this dependence. Postponement of withdrawal would merely postpone the enactment of the amendments. With respect to replacement the British suggested that other sanctions or agreements such as Pan American resolutions and the ACC Vesting Decree be used rather than the Proclaimed List to exert pressure upon the republics for the completion of their replacement programs. Concerning a possible retention of the List for Argentina alone, the British observed that other countries were quite as negligent as Argentina in the initiation and completion of a replacement program and that the Proclaimed List was no longer an imposing factor in the considerations motivating Argentina or any of the other remiss countries. Argentina would or would not complete her replacement program on the basis of considerations quite apart from the Proclaimed List.

Mr. Rubin stated that it was the position of his Office that the List should be withdrawn on May 8 for all of the republics of the Western Hemisphere except Argentina, and for Europe on June 30. Whether or not Argentina should be an exception would depend upon the decision of Mr. Braden.

It was concluded that the following steps remained to be taken: (1) the missions in the other American republics should be consulted concerning the date of May 8; (2) the date of June 30 should be considered for the European countries; and (3) Mr. Braden should be consulted concerning the possible exception of Argentina from the May 8 program proposed for the Western Hemisphere. With respect to the last point Mr. Rubin requested that Mr. Frost submit a memorandum outlining the British views, and stated that he would then incorporate this information in a memorandum covering the conclusions of the conference. Mr. Rubin would forward this memorandum to Mr. Braden for his decision concerning Argentina.
Memorandum by the Deputy Director of the Office of Economic Security Policy (Rubin)\footnote{Addressed to the Assistant Secretary of State for Economic Affairs (Clayton) and to the Deputy to the Assistant Secretary (Thorp).
}

\[WASHINGTON,\] April 15, 1946.

In the meeting in Mr. Thorp’s office on April 12, 1946 it was indicated that the British had expressed a firm opposition to continuation of the Proclaimed List beyond June 30, 1946. Taking as a fact British withdrawal of the Statutory List as of that day, the problem was whether the Proclaimed List should be continued alone and whether the Proclaimed List should be withdrawn from any area of the world prior to June 30, 1946, if the decision were made that it should not be continued alone.

On the question of continuation of the Proclaimed List without the support of the Statutory List, it was agreed that it would be unwise politically and ineffective from the economic and trading point of view. It was indicated that the Department would adhere to its previous stand, that the Proclaimed List would not be continued alone.

On the basis of the representation of ARA, it was also agreed that the List would be withdrawn at one time for both the Western and the Eastern Hemispheres and that withdrawal from Argentina would be made at the same time as for the rest of the world.

The considerations in favor of these decisions are fairly obvious. On the other side it might be pointed out that Ambassador Messersmith\footnote{George S. Messersmith, Ambassador in Argentina.} had indicated strongly his belief that the PL should be continued in the Latin American countries for an indefinite period of time, in order to give support to the replacement programs there, and that some of the Latin American countries had themselves requested continuance of the List. It was also noted that public statements had been made to the effect that the List would be withdrawn more quickly from those areas furthest removed from the actual scene of combat than from other areas, and more quickly in those places where replacement programs had been carried forward. It was also pointed out that the current Swiss negotiations may result in at least an agreement to withdraw the Proclaimed List from Switzerland immediately and that actual withdrawal of the List from Switzerland might have to take place sometime prior to June 30, 1946.

Subsequently I was informed that Mr. Braden and Ambassador Messersmith strongly opposed the decision to withdraw the list on June 30, 1946 and had asked that all action on this question be with-
WITHDRAWAL OF PROCLAIMED LIST

held until a further meeting is convened to discuss the matter. Under these circumstances it may be necessary for Mr. Clayton to participate in such a meeting. The pressure on the one side will be to retain the list even in those countries which have best cooperated with us, in order to encourage continuation of the replacement program and to give some outside support to those elements within the local governments which are striving to continue the replacement programs. On the other hand, the Latin American countries must be cut off from this type of support sooner or later and a period of more than one year after hostilities in Europe have ceased would seem to be more or less adequate. On the separate issue of the Argentine, the considerations are very largely political, since the maintenance of a separate list for Argentina, if the rest of the continent has been deleted, will be almost entirely a political gesture. The importation of supplies from cloaks in other countries will be impossible to prevent and the prestige of the list will deteriorate very rapidly.

So far as the European picture is concerned a commitment indefinitely to continue the list would be in line with the decision of the Executive Committee on Economic Foreign Policy. If such a decision were reached it would make negotiations with the neutrals a great deal easier and guarantee that we would not be embarrassed by making a concession to a neutral with which we signed an agreement, which neutral would then find that our concession was no more than an empty gesture since the list was to be deleted universally within a few weeks. However, on this point I have pressed the matter as strongly as possible with British representatives here and with Mr. McCombe, the British Delegate to the Swiss negotiations. The British so far have been adamant on the June 30 date. If they are to be persuaded, a discussion will have to take place on a higher—and indeed very high—level.

710 Consultation (3A)/4-2646: Telegram

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

MONTEVIDEO, April 26, 1946.

[Received 6:15 p.m.]

260. For Dreier from Boal. Following translation of summary being released to press by CPD April 27, noon.

"EACPD, created by meeting of Ministers of Foreign Affairs of [at] Rio de Janeiro and composed of members appointed by Brazil,

9 John C. Dreier, Chief of the Division of American Republics Analysis and Liaison.
10 Pierre de Lagarde Boal, American member of the Emergency Advisory Committee for Political Defense.
11 For documentation on this meeting, see Foreign Relations, 1942, vol. v, pp. 6 ff.
Chile, Mexico, Peru, United States, Venezuela and Uruguay, the presiding member approved a resolution in its last plenary session which recommends measures to eradicate remaining centers of Axis influence in Western Hemisphere and which has already been submitted to consideration of American Governments. Despite victory of Allied forces, Axis agents and fifth columnists expect, by every means within their reach economic, cultural and political to reconstruct their centers of influence, continue to disseminate their pernicious ideology, and create discontent and disagreement among American republics. Resolution VII of conference of Mexico City is already recommended adoption of measures to prevent continued residence in hemisphere of those persons who may endanger American security and charged committee with task of preparing recommendations for purpose. Com. points out in its new resolution that confident hospitality which in past permitted action of Axis agents cost many lives and endangered independence of American republics. Therefore it expresses hope that adoption of measures recommended will prevent recurrence of these events which we have so bitterly experienced. In this resolution Com advocates measures to insure that those individuals, especially Germans and Japanese who remain faithful to Nazi Fascist ideology are no longer able to endanger security of Western Hemisphere. To this end it is recommended that all American republics adopt uniform standards for determining dangerousness from standpoint of continental security of aliens and naturalized persons who engage in pro-Axis activities. Expulsion of former and denaturalization of latter are recommended whenever such dangerousness is shown after careful and exhaustive investigations. With regard to those who according to such standards reveal lesser danger, it is recommended that expulsion be withheld when certain circumstances are present, for instance, having a spouse or children of American nationality or being in such precarious state of health that application of measure would endanger life. In order to give measure of expulsion continental scope it is recommended that no American republic admit any person who has been expelled by another American country for any of reasons indicated in resolution or any dangerous person outside continent who wishes to enter therein. To facilitate uniform action on matter, Com likewise recommends that every American republic transmit to all others names and particulars of those persons whose residence in hemisphere it deems dangerous. Application of Com's resolution will constitute a guarantee to peaceful inhabitants, nationals of Axis states, who have not engaged in any kind of subversive activity, that they will not be disturbed, since they cannot be confused with persons who have participated in such activities. As can be seen, system recommended constitutes an application, in keeping with democratic standards of fundamental principle of continental political defense, that interest of every American republic, when properly understood, requires of each the obligation to protect security of all the others."

[Boal]

Dawson

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WITHDRAWAL OF PROCLAIMED LIST

WASHINGTON, June 5, 1946—8 a. m.

Dept believes other American Republics should be given advance notice of possible withdrawal of PL so that they can if necessary make adjustments in their local controls. Pls inform Government to which you are accredited for its secret info that this Govts present plan is to completely withdraw PL for all countries on or about June 30.

You shd emphasize such action if taken shd not be interpreted as loss of interest in local controls programs of various countries nor in question of ultimate disposition of Axis assets. Dept feels these programs shd continue on basis of Inter-Amer commitments and best interests of each Amer Republic. Public announcement to this effect will be made when withdrawal occurs.

You shd correlate your discussion of this matter with any recent approaches you have made regarding completion Replacement Program. You might e.g. state we have confidence that Govt will make good its Inter-Amer commitments and complete Replacement Program. You cld further point out that though PL is withdrawn firms not deleted from List on basis of merit or subsequently cleaned up would have great difficulty obtaining Amer agencies (Dept press release 202 Mar 29, cirins Mar 2013).

Also stress importance of keeping possible withdrawal secret.

BYRNES

WASHINGTON, June 21, 1946.

MY DEAR MR. PRESIDENT: The President's Proclamation Number 2497 of July 17, 194114 vested in the Secretary of State, acting in conjunction with the Secretary of the Treasury, the Attorney General and the Secretary of Commerce, the authority to promulgate the "Proclaimed List of Certain Blocked Nationals".

As you know, the Proclaimed List, which was operated in close cooperation with the British, who maintained a similar list called the "Statutory List", provided an important and effective weapon in the economic warfare program of the Allied nations. However, with the conclusion of hostilities, considerable discussion has been held with

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13 Latter not printed.
14 Department of State Bulletin, July 19, 1941, p. 42.
the British, both prior to and since V–E Day, with respect to the withdrawal of this List. Pursuant to these conversations, it had been agreed that the List would be withdrawn one year after V–E Day. It was subsequently agreed to postpone this date until June 30, 1946 in view of the fact that it was believed desirable before withdrawing the American and British Lists to allow time for the inauguration of our discussions with the neutral countries with regard to German external assets located in such countries. As you know, an Accord with the Swiss Government on this subject has been reached and negotiations are being held with the Swedish Government. Therefore, it is believed that the agreement to withdraw the List on June 30, 1946, simultaneous with similar action by the British Government with respect to its List, is desirable.

As you will fully realize, the withdrawal of the List represents an important step forward in the elimination of wartime controls over trade, and is in full harmony with the United States policy of obtaining free international trade. I am therefore enclosing a copy of a proposed Administrative Order to be issued, pursuant to your direction, by the Secretary of State in conjunction with the Secretary of the Treasury, the Secretary of Commerce and the Attorney General which, effective June 30, 1946, withdraws the existing Proclaimed List of Certain Blocked Nationals. Similar action will be taken by the British Government, and an appropriate press release will be issued on that date. This decision to withdraw the List is subject to modification if circumstances intervening between now and June 30 make it necessary to continue the List for a short time for any particular area.

If you approve of this action, I should appreciate it if you would advise me accordingly.  

Faithfully yours, 

DEAN ACHESON

[On July 9, 1946, the Department of State with the concurrence of the Departments of the Treasury, Justice, and Commerce announced the withdrawal of the Proclaimed List of Certain Blocked Nationals. This measure was decided upon after extensive consultation with the British and Canadian Governments, which were taking similar action with respect to the British Statutory List and the Canadian List of Specified Persons. For text of the announcement, together with a memorandum describing the history and scope of the Proclaimed List, see Department of State Bulletin, July 21, 1946,]

11 Federal Register 7567.
12 Below the signature of the Acting Secretary of State appears the notation: “Approved 6/22/46 Harry S Truman.”
WITHDRAWAL OF PROCLAIMED LIST

pages 112 ff. For additional information, see George N. Monsma, "Former Proclaimed List Nationals and American Foreign Trade," *ibid.*, May 28, 1946, pages 875 ff.]

710 Consultation (3A)/10-446

The Secretary of State to the President of the Emergency Advisory Committee for Political Defense (Guant)

WASHINGTON, October 31, 1946.

EXCELLENCY: I have the honor to acknowledge your Excellency's communication of October 4, 1946, concerning the need to prevent dangerous Axis elements from entering the Western Hemisphere, especially from neutral countries, together with the attached preliminary list of such persons heretofore in Spanish territory.

The Government of the United States welcomes the initiative taken by the Emergency Advisory Committee for Political Defense concerning this subject, and will be entirely disposed to cooperate in preventive action, in concert with the other American Republics, along the lines of the recommendations made by the Committee.

Accept [etc.]

JAMES F. BYRNE

740.00112A/12-346: Circular airgram

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

CONFIDENTIAL

WASHINGTON, December 3, 1946—8:40 a.m.

Embassy at Santiago has received a report that Soviet Attaché has contacted six former Proclaimed List nationals and will contact all in endeavor to sell German goods made in Russian zone of Germany and to elicit their cooperation.

Embassy at Buenos Aires reports former Proclaimed List national asserts he was offered exclusive distribution and selling rights for South America of "Russian Made" pharmaceuticals, chemicals, and dyestuffs by two members of Russian Commercial Mission whom he alleged to be fully cognizant of the former Proclaimed List national's past and to have stated that it is to Russia's advantage to select some one in his peculiar position, with his knowledge of the Argentine chemical industry.

These reports may indicate a trend. Please report whether similar reports have been received by you.

ACHESON

37 Not printed.
UNIVERSITY POLICY WITH RESPECT TO THE PROVISION OF MILITARY ASSISTANCE AND ARMAMENTS TO THE AMERICAN REPUBLICS

S10.24/1-446

The Under Secretary of State (Acheson) to the Acting Secretary of War (Royall)

SECRET

WASHINGTON, January 4, 1946.

MY DEAR MR. ROYALL: I refer to my letter of December 19, 1945, to the Secretary of War concerning the interim allocation of ground and air force equipment which the War Department has proposed for other American republics. As stated in the letter, the Department has considered further with representatives of the War Department the matter of making tactical aircraft available to other American republics at this time.

In the second paragraph of my previous letter I outlined the political reasons which make the Department of State extremely reluctant to approve the allocation of tactical aircraft to other American republics. The Department feels particularly strongly on the question of allocating bombing planes because of their great potential destructiveness if put to improper use.

I should like to emphasize again that the question at issue relates to the long range political objectives of the United States in Latin America. Were bombing planes, provided by this Government, to be used destructively in international disputes, or in the course of internal political disturbances, I am confident the U.S. would lose much of the support and friendship of those people of Latin America who are devoted to the cause of peace and of stable democratic government. In the long run we must in large measure rely upon the support of those groups if our position of leadership among the American republics is to be maintained and strengthened.

The Department recognizes that special conditions prevail with regard to Brazil and Mexico whereby the United States has become

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1 For previous documentation concerning the settlement of lend-lease obligations by the American Republics and the sale to them by the United States of arms and munitions of war, see Foreign Relations, 1945, vol. IX, p. 231 ff.


3 Robert P. Patterson.
committed to provide such planes to those governments if they desire them. The Department therefore approves the allocation of all the aircraft recommended in the interim air force program for Brazil and Mexico, as submitted by the War Department.

For the other countries included in the War Department’s interim allocation, the Department approves the revised allocations agreed to by General Walsh, of P-47’s and all other planes proposed except for AT-11’s and B-25’s subject to the provisions that no planes be sent at the present time to Argentina, Nicaragua or Paraguay, and that no tactical aircraft, AT-6’s or AT-11’s be sent for the present to Bolivia, Dominican Republic, Haiti or Honduras.

With respect to B-25’s and AT-11’s, for the remaining countries, the Department believes that for the political reasons referred to above the transfer of such planes would be undesirable to the interests of the United States. Should you feel that the purposes which the War Department has in mind involve considerations of such high importance that they should override the political considerations to which I refer, the Department will be glad to consider the matter further with representatives of the War Department.

I am sending a copy of this letter to the Secretary of the Navy. Sincerely yours,

DEAN ACHESON

S10.24/1-646

The Acting Secretary of War (Royall) to the Under Secretary of State (Acheson)

SECRET

WASHINGTON, January 6, 1946.

MY DEAR MR. ACHESON: Yesterday General of the Army Henry H. Arnold discussed with the President the furnishing of arms and equipment, including AT-6, AT-11 and B-25 aircraft, to certain of the South American Republics, and General Arnold was advised that aircraft could be immediately furnished in the numbers agreed to in the recent bilateral staff conversations with these Republics.

In accordance with this discussion the War Department proposes to proceed to transfer to all of these certain South American Republics, except Argentina, Nicaragua and Paraguay, AT-6s and AT-11s and possibly B-25s, as well as the other types of planes approved by the State Department.

Since this course of action is contrary to the recommendation contained in your letter of 4 January 1946, I hasten to advise you, in order that you may if you desire arrange further discussions of this

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* James Forrestal.
matter before General Arnold leaves for South America on Wednesday, 9 January.

The War Department does not plan without prior discussion with the State Department to depart from the other conditions and matters of policy set out in your letter of 19 December 1945 to the Secretary of War and your letter of 4 January 1946 to me.

Sincerely yours,

KENNETH C. ROYALL

810.24/1-648

The Assistant Secretary of State (Braden) to the Acting Secretary of War (Royall)

SECRET

WASHINGTON, January 9, 1946.

My Dear Mr. Royall: The receipt is acknowledged of your letter of January 6, 1946, to Mr. Acheson concerning the furnishing of certain military aircraft to the other American republics.

In the foregoing connection I had the pleasure of discussing the so-called Adjusted Interim Latin American Aircraft Requirements Program with General of the Army Arnold and Major General Walsh on January 8. At this meeting it was agreed that the State Department approves the Interim Program as set forth on the attached sheet a subject to the understanding that:

(1) No airplanes will be made available for the present to Argentina, Bolivia, Dominican Republic, Haiti, Honduras, Nicaragua or Paraguay.

(2) The furnishing of airplanes to the other thirteen American republics will be subject:

(a) to the concurrence with respect to each country of the American Ambassador concerned, and

(b) to the desires of each country, should it not wish to receive the full number approved by the American Ambassador for that country.

General Arnold also agreed that any “implied commitment” with regard to military airplanes resulting from the staff conversations will have been discharged by furnishing the aircraft comprising the Adjusted Interim Program, and that the United States is under no further obligation with respect to supplying additional military airplanes.

General Arnold agreed that a decision concerning supplying future aircraft should be made subsequent to policy decisions involving the extent and nature of military collaboration between this country and the other American republics.

Sincerely yours,

SPRUILL BRADEN

* See facing page.
## Adjusted Interim Latin American Aircraft Requirements

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<th>PRY or OA-10</th>
<th>B-25</th>
<th>P-47</th>
<th>C-47</th>
<th>C-45</th>
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Memorandum of Meeting, by the Chief of the Division of American
Republics Analysis and Liaison (Dreier)

SECRET [WASHINGTON], January 22, 1946.

Participants: Mr. Snyder—OWMR
Acting Secretary of State Acheson
Acting Secretary of War Royall
Assistant Secretary of the Navy Sullivan
Mr. Symington—S.P.A.⁷
Mr. Harold Stein—OWMR
Mr. Maxwell—LP⁸
Mr. Dreier—RL

Mr. Snyder opened the meeting by stating that there were two
problems for consideration:

A long range program of providing arms to other American
republics, concerning which full agreement had not been reached; and
a short range program already agreed upon.

Regarding the latter, the principal question was whether it should
be carried out through the Surplus Property program.¹⁰

Acting Secretary Royall briefly summarized the Army’s interest in
this program as a means of promoting close collaboration with the
military forces of the other American republics. Assistant Secre-
tary Sullivan, for the Navy, subscribed to the general objectives but
expressed the view that heavy modern weapons such as battleships,
cruisers, aircraft carriers, submarines, long-range bombers, should
not be given to the Latin American countries because the danger of
their misuse would in general be greater than their value to our
defense.

Acting Secretary Acheson made a clear distinction between the
long range program and the short range program. Concerning the
long range program, he said the State Department had concluded
that a reexamination of it was necessary in the light of developments
since the general policy was approved by the President last summer.
He referred to the invention of the atomic bomb, to the question of

⁷ John W. Snyder, Director of the Office of War Mobilization and Reconversion.
⁸ W. Stuart Symington, Administrator, Surplus Property Administration.
⁹ James A. Maxwell, Assistant Chief of the Division of Lend-Lease and Surplus
War Property Affairs.
¹⁰ See Public Law 457, October 3, 1944, an act to aid the reconversion from a
war to a peace economy through the distribution of Government surplus property
and to establish a Surplus Property Board to effectuate the same, and for other
purposes, 58 Stat. 765.
whether the strategic value of this program would any longer be worth the cost, and to the political situation in Latin America where unrest increased the likelihood of the misuse of these arms by military forces in overthrowing governments and establishing governments under their military control. With reference to the short range program, however, the Department, Mr. Acheson said, recognized that a moral commitment of a sort had been assumed as a result of the military staff conversations, and that after considerable discussion, particularly on the subject of bombing planes, a schedule of arms and equipment to be sent under the short range program had been agreed to. The attitude of the other American republics was such, he said, as to make it necessary for the United States to send forward the limited amount of equipment contained in the short range program. It was the Department of State’s opinion that this could most effectively be done through the Surplus Property program.

Mr. Sullivan explained that the Navy had only a very small amount of spare parts, etc. involved in any short range program since it was not possible to use the surplus property program for the transfer of any vessels aside possibly from small boats.

Mr. Symington expressed the view that the short range program could be handled through the surplus property program. Mr. Stein expressed the opinion that it was possible from a technical legal point of view to carry on the program under the surplus property act but that it was definitely not the kind of transaction envisaged in the act, and that, therefore, consultation with Congress was desirable. Mr. Snyder stated that he believed the program should be discussed with the President and with Congressional leaders in order that an understanding might be reached as to the use of the surplus property program for this specific purpose. Mr. Acheson urged that only the short range program be discussed with Congress in view of the reexamination of the long range program which the State Department felt desirable. Mr. Royall said he felt there could be no objection to a reexamination of the long range program as Mr. Acheson had suggested provided it be done promptly.

Mr. Snyder concluded the meeting by asking that the reexamination of the long range program be started immediately and requested that the War Department draw up a memorandum summarizing the nature, amount and value of equipment involved in the short range program. This memorandum was to be circulated for comment to the State and Navy Departments and SPA and would serve as the information to be given to Congressional leaders when the program was discussed with them.
SECRET

WASHINGTON, February 20, 1946.

My Dear General Hertford: I refer to the letter of January 9, 1946, from Assistant Secretary Braden to Under Secretary Royall concerning the allocation of certain military aircraft to the other American republics. The letter under reference approved the so-called "adjusted interim allocation" of aircraft to American republics, except that no planes are to be offered for the present to Argentina, Bolivia, Dominican Republic, Haiti, Honduras, Nicaragua and Paraguay, and subject to the concurrence of the American Ambassador concerned as well as to the desire of each country to receive the full number of planes so approved.

This is to inform you that the concurrence of the American Ambassador concerned has been received for the allocations to the following countries: Brazil, Chile, Colombia, Cuba, Ecuador, Guatemala, Mexico and Peru. The American Ambassador to El Salvador has requested elimination from the allocation to that country of the two AT-6’s, and the substitution of Basic Trainers for them. The American Ambassador to Panama has agreed that no planes should be allocated to Panama at this time. The American Ambassador to Venezuela has requested that no B-25’s or P-47’s be made available to Venezuela and that only 3 C-47’s and 5 C-45’s be offered, at this time.

The desires of the other governments cannot of course be ascertained until negotiations on price and other details are completed. However, we can inform you that Uruguayan representatives in Washington have indicated a desire to substitute 15 AT-6’s and 10 AT-11’s for the bombers and fighters originally proposed and to acquire an additional 50 PT-19’s or PT-27’s.

It is our understanding that this letter constitutes final approval for the allocation to other American republics of the number of aircraft listed in the Army Air Force’s so-called "533 program" as modified above.

Sincerely yours,

For the Secretary of State:

ElliO. Briggs
Director, Office of American
Republic Affairs
The Secretary of State to All Diplomatic Representatives

RESTRICTED

WASHINGTON, March 4, 1946—9:35 a. m.

The National Advisory Council\(^1\) at its meeting on February 13, 1946 adopted the following resolution:

"Export-Import Bank funds should not be used to finance the purchase of surplus property which can be sold on credit terms by the surplus property disposal agencies under their existing powers. The Export-Import Bank and the surplus disposal agencies should take appropriate action to effectuate this policy."

In light of this decision, which formalizes a policy which has in practice been followed since surplus disposal started, you should make clear, in any discussions that you may have with government officials on the subject, that Export-Import Bank loans will not be available for purchase of surplus property.

BYRNES

810.24/3-1446

Memorandum by the Chief of the Division of Caribbean and Central American Affairs (Cochran)

WASHINGTON, March 14, 1946.

Subject: Arms Program—Guatemala, El Salvador, Cuba, and Costa Rica.

On March 13 and 14, 1946, the Guatemalan, Salvadoran, and Cuban Chargé d'Affaires\(^2\) and the Costa Rican Ambassador\(^3\) called at my request. Mr. Dreier attended the first meeting, General Wooten,\(^4\) the first three meetings and the appropriate desk officers were present at all four.* I informed the Embassies' representatives that with respect to inquiries which had previously been received from their Governments and from other American Governments, we had made necessary arrangements to make available to the countries concerned certain military equipment for their armed forces. The equipment is

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\(^{1}\)The National Advisory Council on International Monetary and Financial Problems (Department of the Treasury), composed of the Secretaries of the Treasury, State, and Commerce, and the Chairmen of the Board of Governors of the Federal Reserve System and of the Board of Directors of the Export-Import Bank, was established pursuant to the Bretton Woods Agreement Act, Public Law 171, 79th Cong., approved July 31, 1945.

\(^{2}\)Enrique Lopez-Herrarte, Felipe Vega-Gomez, and Jose T. Barón, respectively.

\(^{3}\)Francisco de P. Gutiérrez.


*Mr. Furniss of RL was also in attendance at all four meetings. [Footnote in the original.]
being made available from surpluses of our armed forces and will be offered for sale under the Surplus Property Act, in accordance with their desires as to whether they want all this equipment or part of it. It was explained that the equipment had been listed on the basis of a military unit as set forth in our tables of organization (with which their military officers were familiar) and that it included all equipment listed in our tables except for some civilian items, including especially motor vehicles, which were in fact not in surplus at the present time. I added that if these items should later be declared surplus, they would be notified. I then gave to each representative a copy of the memorandum listing the equipment available, as set forth hereafter. I added that aircraft would be accompanied by spare parts and equipment for ground crews insofar as they were available in surplus.

I stated that FLC has been designated as the disposal agency for this material and that General Ralph H. Wooten, Room 6176 New War Department Building can provide details on equipment available and is responsible for establishing prices under the provisions of the Surplus Property Act. In consequence, all further discussions should be directly with him.

In no case did the question arise as to future purchases of further armaments; and in no case was the question raised as to the exchange of present equipment for that to be furnished under this program.

**Equipment Proposed**

**Guatemala**

Military equipment for: 1 Battalion of Infantry
1 Battery Light Field Artillery

Aircraft:
4 C-47’s
3 (C-45’s)
(AT-11’s) Depending on
(AT-7’s) availability
6 AT-6’s
10 PT’s

**El Salvador**

Military equipment for: 1 Infantry Rifle Company
1 Battery Light Field Artillery

Aircraft:
1 (C-45)
(AT-11) Depending on
(AT-7) availability
2 BT’s

*Memorandum not printed.*
Cuba

Military equipment for: 1 Battalion of Infantry
1 Battery of Light Field Artillery

Aircraft:
1 PBY (OA-10)
4 B-25's
8 P-47's
4 C-47's
2 (AT-11's)
(A-T-7's) Depending on availability
(C-45's)

Costa Rica

Military equipment for: 1 Infantry Rifle Company

Subsequently, certain developments took place in each individual case, which are enumerated below:

Guatemala: The question immediately arose as to whether or not this equipment would be made available to Guatemala under the $1,500,000 Lend Lease credit which the Guatemalans consider still to be available to them. I stated that I was not in a position to give a definite answer on this but that I hoped to be able to do so within a week or ten days.

El Salvador: The Chargé d'Affaires asked whether these transactions would be for cash. General Wooten said that his understanding of the situation was that they were to be for cash and if the question of credit arose, it would have to be cleared with the State and Treasury Departments.

Cuba: Having explained to Dr. Barón the general program which was contemplated, I reminded him that Cuba was one of the few countries which had not paid anything whatsoever on Lend Lease, although the information available indicated that it was in a financial position to do so. I pointed out further that we had sent to the Cuban Embassy seven successive notes enclosing statements of the amount due, without having received any reply. I then commented that it was difficult to see how Cuba could afford to buy new equipment since it had not paid for the equipment which it had already received under Lend Lease, and that for the present, we were

17 The Director of the Office of American Republie Affairs (Briggs) commented in a memorandum of December 2, 1946, as follows:
"We are unanimously of the opinion that credit should not be extended, except perhaps in the case of certain vessels included in the Navy interim program, since all the other equipment is highly expendable and would be used up long before the debts would be liquidated.
"The amount involved in the interim program is in the neighborhood of 75 million dollars, of which 25 million dollars will be for re-conditioning vessels which the Navy de-commissioned in its general demobilization program. What with the lend-lease and other accounts outstanding, few of the Latin American republics can or should involve themselves in new expenditures of this magnitude."
not disposed to make the equipment available as long as Cuba was in complete default on its Lend Lease. I said that we could not defend any other attitude on our part before the Congress and people of the United States. Dr. Barón commented that he had on one occasion, as Chargé d’Affaires, sent to his Government one of our notes regarding repayment for Lend Lease obligations but that he had had no reply. He intimated that he would telegraph to Ambassador Belt, who is still in Cuba and who is expected back tomorrow, the substance of the conversation.

Costa Rica: The same comments with regard to Lend Lease obligations which were made in the case of Cuba were repeated to the Costa Rican Ambassador. The Ambassador appeared to understand our position and that these comments involved no lack of desire to collaborate with Costa Rica. He asked if this furnishing of armaments was connected with the recent agreement which he had signed with Secretary Byrnes and I assured him that it had no connection with the Military Mission but rather with the Staff Conversations held about a year ago. He said that he thought Costa Rica would be better off without an army. I said that we had no desire whatsoever to suggest or support a Costa Rican army against the wishes of the Costa Rican Government and people but that since his Government had, in the Staff Conversations, indicated its interest in receiving certain armaments, we wanted to handle the matter just as we were with the other countries of the hemisphere.

WILLIAM P. COCHRAN, JR.

860.00 Summaries/3–2146: Circular telegram

The Secretary of State to Certain Diplomatic Representatives

SECRET

WASHINGTON, March 21, 1946—10 a.m.

Certain of American Republics informed by Dept.\(^{18}\) of amount of military equipment that will be available to them from US surplus stocks. Amount will vary according to a predetermined formula. Brazil will be able to obtain ground equipment sufficient to arm one division of infantry. Smaller countries will be restricted to lesser amounts. Aircraft being offered include transports, primary basic and advanced trainers and a few tactical planes. Basic purpose of program is to standardize military equipment insofar as possible for hemisphere defense. At present Argentina, Dominican Republic, Haiti, Honduras, Nicaragua are excluded. Panama also excluded because she has no army only police force.

BYRNES


\(^{26}\) See memorandum of March 14, supra.
The Secretary of State to the Secretary of the Navy (Forrestal)

SECRET

WASHINGTON, April 9, 1946.

MY DEAR MR. SECRETARY: I refer to your letter of March 30, 1946 to which is attached a list of naval vessels 20 which the Navy Department proposes to transfer to the other American republics. It is noted that the vessels comprise minor combat, auxiliary, and miscellaneous craft which are in excess of the Navy's needs, and that these vessels conform to the number and types requested by the other American republics during the recently concluded exploratory bilateral military staff conversations, as revised by the Joint Army-Navy Advisory Board.

The Department requests that no vessels be offered at the present time to the Dominican Republic, Haiti, and Nicaragua. 21 There is no objection to the sale to the other American republics specified of the vessels listed in the attachment to your letter.

Sincerely yours,

For the Secretary of State:

DEAN ACHESON
Under Secretary

The Acting Secretary of State to the Secretary of the Navy (Forrestal)

CONFIDENTIAL

WASHINGTON, July 1, 1946.

MY DEAR MR. SECRETARY: Reference is made to your letter of May 3, 1946, and to the Secretary of State's reply of June 6, 1946, 22 concerning naval equipment which it is desired to sell to certain other American republics under the terms of the Surplus Property Act.

Since this correspondence the Navy Department has sent to the Department of State for approval lists, by countries, of equipment falling within the categories outlined in your letter of May 3. These

20 Neither printed.
21 Secretary Forrestal was informed in the Department's letter of April 18, as follows: "To this list of republics to which it is undesirable to furnish naval vessels at this time should be added Cuba for the reason that, despite the strong financial condition of that government and great prosperity on the island, Cuba has made no payments, although repeated requests have been presented, on her Lend-Lease settlement." (810.34/3-3046)
22 Secretary Byrnes repeated in his letter of June 6 to Secretary Forrestal the recommendation that no naval material be made available to Cuba until a payment had been made on its lend-lease account, and added: "With regard to the provision of ammunition, it is believed that such ammunition should be limited to one year's normal training or practice allotment for the various weapons sold as has been agreed upon with the War Department in the case of ground equipment." (800.24/5-346)
lists have been reviewed by representatives of the State and Navy Department, and it is understood that the lists received to date cover the scope of the Navy’s interim program for naval equipment.

On the basis of the discussions between representatives of our two departments, the Department of State is glad to approve the Navy’s interim program of equipment for the naval establishments of other American republics as follows:

1. The list of weapons which is attached hereto and is taken from the individual country lists referred to above.

2. One year’s training allocation of ammunition for the weapons mentioned above, and the same for any other weapons of American calibre now possessed by the navies of other American republics.

3. Such additional equipment other than arms, ammunition and implements of war as may be requested by the representatives of the other American republics, which will be limited to the purpose of repairing and maintaining the existing naval forces without any appreciable increases in the naval strength of the individual countries.

The above program is subject to certain exceptions at the present time: it is requested that no equipment be offered for the present by the Navy Department to the Governments of Argentina, the Dominican Republic, Haiti, Honduras, and Nicaragua. Furthermore, as requested in the Secretary of State’s letter of June 6, it is requested that no naval material be made available to Cuba until the Cuban Government makes a payment on its Lend-Lease account.

A copy of this letter is being sent to the Field Commissioner for Military Programs, Office of the Foreign Liquidation Commissioner, for his information and guidance.24

Sincerely yours,

DEAN ACHESON

811.2310/8-2146: Circular airgram

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

CONFIDENTIAL

WASHINGTON, August 21, 1946—9 a.m.

Please refer to previous communications concerning the interim arms program under which military and other equipment are being made available through Surplus Property channels to certain other American republics, and particularly to recent communications from

22 Not printed.

23 In a letter of April 18, 1946, the Secretary of State had delegated authority to the Foreign Liquidation Commissioner to dispose of surplus military property in the United States to other American Governments, and, in turn, the Commissioner had delegated such authority to Maj. Gen. Ralph H. Wooten and had designated him as Field Commissioner for Military Programs (810.24/4-2446).

24 The diplomatic representatives at Rio de Janeiro, Bogotá, Santiago, Guatemala, Lima, Montevideo, and Caracas.
the Department concerning plans of the United States Army Air Forces to ferry to various other American republics aircraft being purchased under the interim program.

During the visit to Colombia and Peru of General H. H. Arnold, formerly Commanding General of the US Army Air Forces, plans for ferrying interim allocation aircraft to those countries were made by General Arnold with the respective governments. Subsequently arrangements were made in Washington by the USAAF with the Military Attachés of Brazil, Chile, Guatemala and Uruguay and with the Ambassador of Venezuela for ferrying interim allocation aircraft to those countries. In making these arrangements, it was made clear to the representatives of other governments that the aircraft would remain the property of the US Government until the representatives of the other governments had concluded negotiations with the Office of the Foreign Liquidation Commissioner in Washington, D.C. for the purchase of aircraft at prices established by the Foreign Liquidation Commission and the subsequent transfer of title. The War Department also agreed, at the request of the other governments, to permit training crews to remain with the aircraft after arrival in order to train nationals of the receiving countries in the operation and maintenance of the various types of aircraft to be delivered.

[Here follows detailed information concerning personnel, dates, etc.]

ACHESON

810.34/8-2046

The Acting Secretary of State to the Secretary of the Navy
(Forrestal)

WASHINGTON, October 11, 1946.

MY DEAR MR. SECRETARY: I share your thought that the Interim Program, as a part of our policy to promote the Inter-American defense of the Western Hemisphere, has assumed added significance by virtue of the failure of the 79th Congress to pass H. R. 6326.28

Since receiving your letter of 20 August 1946,27 I am informed that certain progress has been made with the Maritime Commission as a result of your letter to the Commission's Chairman. I am also informed that the Naval Division, Office of the Field Commissioner for Military Programs, has made considerable progress with the Maritime

28 The Inter-American military cooperation bill.
27 Not printed; Secretary Forrestal wrote about several obstacles impeding the progress of the Navy's interim program (810.34/8-2046).
798-815—69—8
Commission and that they are jointly preparing to offer a number of vessels over 1500 gross tons to other American Governments at prices that are quite close to the Interim Program formula. I am further informed that a large number of vessels upon which the Commission has established or is about to establish fixed prices can be sold, and plans are presently being formulated to accomplish this.

It would seem that the prospect of early acceleration of the Program is much brighter since greater cooperation has been developed between the Maritime Commission, the Navy Department, and the Department of State.

Discussions with representatives of the other American Governments have emphasized that notwithstanding the unsatisfactory condition of vessels due to material demobilization, only fully militarized, operable vessels will meet the requirements of the purchasing countries. To meet these requirements a most liberal and concerted effort should be made to improve the condition of vessels. It is felt that this contribution can only come from the Navy. Accordingly, the Department of State prefers to negotiate transfers on an "as is" basis and recommends that the matter of replenishment of allowances or spares and reconditioning be a direct transaction between the prospective purchaser and the Navy Department.

Delivery dates are dependent upon completion of indoctrinal programs, as stated in your letter. Since indoctrination is a matter under your own cognizance, work schedules and dates should be matters of direct agreement between the prospective purchaser and the Navy Department.

Your letter suggests that prospective purchasers be limited to inspection of operational craft when establishing their requirements, if any, of that type. This is a matter of your own cognizance as these determinations are made during the period in which the Navy Department is establishing what is to be included in the Interim Program. When the requirements are approved for inclusion in the Program, bow numbers are assigned by the Navy Department. Inspections conducted by the Office of the Field Commissioner for Military Programs are made to determine the condition of a specific vessel for the purpose of pricing it. These inspections must be made, of necessity, on the specific vessels the Navy Department has allocated to the prospective purchaser.

I will appreciate receiving a copy of such instructions as you may issue to the Naval establishment.

Sincerely yours,

DEAN ACHESON
PROVISION OF MILITARY ASSISTANCE

810.348/10–1146: Circular airgram

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

CONFIDENTIAL

WASHINGTON, October 11, 1946—8:40 a.m.

The following naval aircraft have been approved by the Department and by the Navy Department for inclusion in the interim arms programs for the countries indicated, subject to availability through surplus property channels.

<table>
<thead>
<tr>
<th>No.</th>
<th>Type</th>
<th>Country</th>
</tr>
</thead>
<tbody>
<tr>
<td>20</td>
<td>OS2U</td>
<td>(“Kingfisher”—scout observation)</td>
</tr>
<tr>
<td>2</td>
<td>JRF</td>
<td>(“Goose”—utility transport)</td>
</tr>
<tr>
<td>6</td>
<td>N3N</td>
<td>(primary trainer)</td>
</tr>
<tr>
<td>3</td>
<td>PV–2</td>
<td>(“Harpoon”—medium patrol bomber)</td>
</tr>
<tr>
<td>3</td>
<td>PV–2</td>
<td>(“Harpoon”—medium patrol bomber)</td>
</tr>
<tr>
<td>2</td>
<td>JRF</td>
<td>(“Goose”—utility transport)</td>
</tr>
<tr>
<td>1</td>
<td>JRF</td>
<td>(“Goose”—utility transport)</td>
</tr>
</tbody>
</table>

The aircraft listed above represent the maximum number of naval aircraft which the Navy will be able to make available for the present program. It is very likely that of the above allocations the Navy Department may be able to make available for the present program only the OS2U’s for Uruguay, the PV–2’s for Peru and the PV–2’s for Chile. In view of the uncertain supply situation, it is requested that discussions of this program be confined to Washington, and that the Embassy take no action to notify the respective govts in the premises.

ACHESON

814.796/9–1646

The Acting Secretary of State to the Ambassador in Guatemala
(Kyle)

SECRET

WASHINGTON, October 22, 1946.

No. 557

The Acting Secretary of State refers to the Embassy’s airgram no. 404 of September 16, 1946 stating that the Embassy’s files contain little or no helpful information in regard to the original negotiations concerning the Airport Development Program and that it would therefore be helpful if the Department would endeavor to ascertain the position of the War Department with regard to the continued maintenance of the field and, if possible, to inform the Embassy with regard to the position it should take in discussing this...

28 The diplomatic representatives in Uruguay, Mexico, Peru, Chile, Brazil, and Venezuela.

29 Not printed.
matter with officials of the Guatemalan Government, or in endeavoring to clarify the question with the Commanding Officer of the Army Air Base.

As of possible interest to the Officer in Charge, the following information concerning the early development of the Airport Development Program is quoted below from a memorandum prepared in the Department on September 13, 1945:

"The War Department in 1940 came to the conclusion that it was essential to the security of the United States to have available for use by American military aircraft, in the event of hostilities, suitable airports and air bases in various locations in this Hemisphere. At that time the United States was at peace as were the countries in Latin America and it was not considered advisable or possible to negotiate directly with those governments for the provision of these facilities. The War Department finally decided to have this work done through a procedure which involved the use of Pan American Airways and its subsidiaries and connecting companies as a cloak. A contract was concluded between the War Department and a corporation known as the Pan American Airports Company which had been organized by the Pan American Airways System. Additional contracts were concurrently concluded between the Airports Corporation and the Pan American companies. Under the terms of these contracts various airfields were to be improved or built with funds supplied by the United States but the projects were to be handled as though they were entirely the program of the carriers. All arrangements between the carriers and the foreign governments concerned which might be necessary were to be made by the carriers ostensibly acting on their own behalf. This basic contract was concluded in November of 1940. It has been supplemented by at least ten additional agreements and it finally expired in June of 1944. The subsequent contract was signed by these parties coinciding with the date of expiration of the original contract, the new agreement being known as the Maintenance Contract. This contract provided that certain provisions of the original contract should continue in effect. Its principal provisions were to have certain airfields, including those built under the ADP program and others which had been built by the Army itself, maintained and operated by Pan American at the expense of the United States. The contract provides for the addition or deletion of the fields at the pleasure of the War Department.

"After the entry of the United States into the war and the similar action of other governments in Latin America, considerable discussion took place as to whether the contracts should be made public or at least made known officially to the governments of the countries involved. In this connection it should be noted that the original contract was classified 'Secret' and the Maintenance Contract was not only classified 'Secret' but contains a provision that prior to a declassification of the contract, Pan American shall be given thirty days' notice and an opportunity to present its views on the subject to the appropriate govern-

\[\text{59a Not printed.}\]
ment agencies. There were two principal bars to declassifying the agreements, the first being the reluctance of officials of the State Department to have the agreements declassified prior to the negotiation of particular military rights for the United States in certain foreign countries and secondly a fear of the War Department that disclosure of the contract would result in widespread public criticism because of the fact that Pan American Airways is in a position as a result of the contract to acquire exclusive or at least special benefits beyond those granted other United States carriers as a result of the expenditure of United States public funds.

"In the latter connection it should be pointed out that the original contract signed in 1940 contained no provisions as to the ultimate commercial utilization of the airfields in question. It was not until 1942 that a supplementary agreement was signed, which agreement the War Department has described as the best it could do at the time but which is neither clear nor satisfactory. This supplementary agreement provided that Pan American Airways and affiliated companies would permit for a period of ninety-nine years free use of the airfields by aircraft of the Armed Forces of the United States or by civil aircraft operated under contract to the United States Government. It further provided that for the duration of the war similar privileges would be extended to any United States carrier as defined in the Civil Aeronautics Act which was certificated by this Government to operate a service requiring the use of the airfield in question and which was authorized by the government of the country in which the airfield is located to operate such a service. In the case of both military and civil aircraft, no landing fees were to be charged except such fees as might be required by the government of the country in question. Pan American, of course, limited its agreement in this connection to the extent to which it was possible for it to perform but also agreed to exercise its good offices to secure whatever governmental clearances might be necessary to give effect to the provisions of the agreement. The agreement further provided that within six months after the war ended, there should be an arbitration proceeding to determine the extent to which it was equitable to continue the provisions of the agreement with respect to landings of civil aircraft without fee. Pan American's position in this connection seems to be that it would have no objection to a continuance of this provision in the case of an airfield constructed wholly with United States funds but that it did not believe

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20 In circular telegram of January 17, 1946, 2:30 p. m., not printed, the Acting Secretary of State informed diplomatic representatives in certain American Republics as follows: "... the Secretary of War in a letter of November 16 served the necessary thirty days' notice on Pan American World Airways, upon the expiration of which the Government would feel free to declassify the contracts or any portion thereof. ... Pan American expressed its opposition to any declassification of the contracts or revelation of their contents. However, this Government is now free to declassify these contracts or any portion thereof at any time that such action should appear to be in the national interest." (810.7962/1-1746)

21 In a letter of February 19, 1946, to the Secretary of State, the Secretary of War (Patterson) stated: "... this Government does not desire to extend the Maintenance-Operation Contract beyond its current expiration date of April 30, 1946, and further, that this Government does not desire to exercise the option for a 99-year agreement, as provided in Article I of the contract under reference." (810.7962/2-1946) Secretary Patterson was informed in a letter of February 26, that the Secretary of State concurred in these proposals (810.7962/2-1946).
it just to continue the practice in the case of airfields which were originally exclusive Pan American property and which had been improved or enlarged solely to meet the needs of the United States Armed Forces.\footnote{Reference is to the letter of February 19 (see footnote above) which enclosed a list of airfields in Latin America currently being partially maintained by War Department funds through the Airport Development Program.}

According to a report received from the War Department in February 1946,\footnote{Copy of letter of February 28 transmitted to Secretary Byrnes by Secretary Patterson on the same date, not printed.} one ADP airport (Guatemala City) and one non-ADP airport (Puerto Barrios) were being maintained in Guatemala by War Department funds pursuant to the provisions of the Maintenance Contract at a monthly cost of $19,500 and $2,875, respectively. (It should be pointed out that War Department funds were expended for the construction of installations and facilities at the Guatemala City airfield under two different arrangements, i.e. (1) through ADP the field itself was improved and maintained, and (2) by direct arrangement with the Guatemalan Government the War Department constructed additional installations and facilities there in the category of barracks, hangars, etc. The latter facilities were also maintained by Pan American Airways, Inc. under ADP as a measure for conserving military personnel.)

On February 28, 1946 the War Department formally notified Pan American Airways, Inc.\footnote{Not printed.} that the United States Government had decided to terminate the maintenance of air bases in the other American Republics under the Maintenance Contract, and not to exercise the ninety-nine year option provided for in the ADP contracts. The War Department requested Pan American Airways, Inc. to confer with the Chief of Engineers and prepare detailed disposal recommendations for both real and personal property at each field for consideration by interested governmental agencies. As reported in the Department's airgram no. 227 of August 30, 1946,\footnote{Reference is to the letter of February 19 (see footnote above) which enclosed a list of airfields in Latin America currently being partially maintained by War Department funds through the Airport Development Program.} the Chief of Engineers and Pan American Airways, Inc. are now engaged in preparing joint recommendations for disposal of all property at air bases constructed or improved under the Airport Development Program, including the bases in Guatemala, and these recommendations will be forwarded to the Department for comment and concurrence.

Pan American Airways, Inc. replied under date of April 25, 1946 that in view of the foregoing notification, the company proposed to give up immediately after such termination all maintenance and operation not required by its commercial operations. This would mean, the company explained, that some airports would be abandoned completely and that the extent of maintenance and operation would be curtailed at others.
The foregoing information will make it clear that in the view of
the War Department no military requirement exists for the con-
tinued maintenance of the field at Guatemala City and that this Gov-
ernment has no responsibility to continue such maintenance. The
War Department is presently engaged in expediting the completion
of its recommendation regarding the disposal of the United States
interest in the field. As indicated above, this recommendation will
be forwarded to the Department for review. In the view of the De-
partment it is a matter of national interest that aviation facilities
developed during the war be disposed of in a manner which will pro-
mote the world-wide air commerce of the United States.

The Embassy has previously reported that it is a matter of public
knowledge that the airport at Guatemala City was constructed and
maintained with public funds of the United States. In discussing
with the Guatemalan authorities the question of the continued main-
tenance of the field, the Officer in Charge will wish to dispel the
"feeling of the Guatemalan authorities that the United States Govern-
ment still maintains or is in some way obligated to maintain the field." The Officer in Charge also should ascertain and report to the Depart-
ment what steps are being taken by the Guatemalan Government or
the interested airlines to assure continued maintenance and operation
of the field and what technical assistance may be required in this
connection.

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810.7962/11-146

The Secretary of War (Patterson) to the Secretary of State

SECRET

WASHINGTON, November 1, 1946.

DEAR MR. SECRETARY: There is no further War Department re-
quirement for the following airfields that have been constructed and
improved under the provisions of the Airport Development Program
by Pan American Airways Incorporated:

<table>
<thead>
<tr>
<th>Country</th>
<th>Locality</th>
<th>Airport</th>
</tr>
</thead>
<tbody>
<tr>
<td>Colombia</td>
<td>Barranquilla</td>
<td>Soledad Airport</td>
</tr>
<tr>
<td>Guatemala</td>
<td>Guatemala City</td>
<td>La Aurora Airport</td>
</tr>
<tr>
<td>Guatemala</td>
<td>Puerto Barrios</td>
<td>Puerto Barrios Airport</td>
</tr>
<tr>
<td>Haiti</td>
<td>Port au Prince</td>
<td>Bowen Field</td>
</tr>
<tr>
<td>Mexico</td>
<td>Carmen</td>
<td>Carmen Airfield</td>
</tr>
<tr>
<td>Mexico</td>
<td>Chetumal</td>
<td>Chetumal Airport</td>
</tr>
<tr>
<td>Mexico</td>
<td>Isla de Cozumel</td>
<td>Cozumel Airport</td>
</tr>
<tr>
<td>Mexico</td>
<td>Merida</td>
<td>Campo Juanes Airport</td>
</tr>
<tr>
<td>Mexico</td>
<td>Tampico</td>
<td>Rihl Field</td>
</tr>
<tr>
<td>Mexico</td>
<td>Tapachula</td>
<td>Chiapas Field</td>
</tr>
<tr>
<td>Mexico</td>
<td>Iztepec-Oaxaca</td>
<td>Tehuantepec Airport</td>
</tr>
<tr>
<td>Mexico</td>
<td>Vera Cruz</td>
<td>Las Bajadas Airfield</td>
</tr>
<tr>
<td>Dominican Republic</td>
<td>Ciudad Trujillo</td>
<td>General Andrews Airport</td>
</tr>
<tr>
<td>Nicaragua</td>
<td>Managua</td>
<td>Las Mercedes Airport</td>
</tr>
<tr>
<td>Paraguay</td>
<td>Asunción</td>
<td>Asunción Airport</td>
</tr>
</tbody>
</table>
The District Engineer, United States Engineer Office, Miami, Florida, has forwarded recommendations for the disposition of these facilities. These recommendations are inclosed for review by your Department and your comments and recommendations concerning the contemplated disposal. The Department of State is connected with these disposals through the interest of the Foreign Liquidation Commission in the disposal of surplus property in foreign countries and the possible political implications because of prior agreements with the countries in which the airports are located, and the continued secrecy of the Airport Development Program.

The Kilgore Committee is cognizant of the steps heretofore taken in connection with the Airport Development Program. It is suggested that your Department advise the Kilgore Committee regarding steps taken to dispose of the interest of the United States in these airports.

The return of the inclosed disposal plans with your comments and recommendations will be appreciated.

Sincerely yours,

ROBERT P. PATTERSON

810.34/11-2246

Memorandum by the Acting Chief of the Division of Special Inter-American Affairs (Dreier)

CONFIDENTIAL

[WASHINGTON,] November 22, 1946.

Following up the remarks which Under Secretary of the Navy Sullivan made to Acting Secretary Acheson on November 13, a meeting was held in General Connolly’s office yesterday, November 21, with Mr. Chester Lane, Admiral Noble, Captain Dennison, myself and others present to clarify the problems of the Navy’s interim program for the transfer of vessels to the other American republics.

Briefly, the situation is that the Navy, after offering about 200 vessels to the other American countries, found that the vessels had been caught in the whirlwind of mobilization and were for the most part in inoperable condition, as well as stripped of much of their equipment,

36 Not printed.
35 Senator Harley M. Kilgore, Democrat of West Virginia.
37 Addressed to the Assistant Secretary of State (Braden), the Director of the Office of American Republic Affairs (Briggs), and the Under Secretaries of State (Acheson and Clayson).
38 Deputy Foreign Liquidation Commissioners, Gen. Donald H. Connolly and Chester Lane.
including armament. Moreover, much of the equipment which has been removed from these vessels is not in surplus, and therefore cannot be transferred, except by presidential authority under the Act of June 15, 1940,\textsuperscript{39} at 100% reimbursement. The Latin Americans obviously do not wish to buy inoperable hulls, nor does the Navy or this Department wish to sell them inoperable vessels which will only give a black eye to our whole program.

In order to extricate themselves from this problem, it will be necessary for the Navy and FLC to arrange for some method of financing the reconditioning of the vessels (the total cost of which will be regained from the purchasing countries), and to get certain authorization from the President for the Navy to employ additional shipyard personnel and to transfer non-surplus items back on the ships under the Act of 1940. Before approaching the Budget Bureau and the White House on this matter, both the Navy and the FLC said they felt it was important to get reassurances from the State Department that completion of this interim program was consistent with the Department’s policy, particularly since everyone was aware of doubts which the State Department entertained in regard to the long-range program and HR 6326. I informed the meeting that the interim program had been approved by the State Department, and that this Government was committed to make good on its word inasmuch as we had informed the other countries that the ships would be available for their purchase provided satisfactory terms could be arranged. I was asked to get official confirmation of this viewpoint and have therefore drafted the underlying memorandum for Mr. Acheson’s signature.

Admiral Noble requested also that the Department make known its position in regard to HR 6326, but I informed him that I did not believe this question could or need be settled in connection with the interim program in view of the urgency of the latter.

It is recommended that the underlying memorandum \textsuperscript{40} be sent to General Connolly, with a copy to Captain Dennison of the Navy under cover of my letter.

\textbf{John C. Dreier}

\textsuperscript{39} For joint resolution approved June 15, 1940 to authorize the Secretaries of War and of the Navy to assist the governments of American Republics to increase their military and naval establishments, and for other purposes, see 54 Stat. 396.

\textsuperscript{40} Not found in Department files.
Memorandum by the Assistant Secretary of State (Braden) to the Secretary of State

SECRET

[WASHINGTON,] December 16, 1946.

In order to meet, insofar as possible, the desires of the War and Navy Departments, it is believed that a moderate program of military cooperation, providing for the maintenance of American military missions in foreign countries, and for training of foreign officers in the United States, should constitute an acceptable alternative. Arms transfers to Latin America should, however, be drastically limited.

It is recommended that such a program be developed with the War and Navy Departments to replace the program envisaged in HR 6326.42

Spuille Braden

Memorandum by the Assistant Secretary of State (Braden) to the Secretary of State

[WASHINGTON,] December 16, 1946.

HR 6326—LATIN AMERICAN ARMS PROGRAM

The conditions under which the Department agreed to support HR 6326 last spring have changed. The entire program should be reconsidered in the light of these changes, which include the following:

(1) It has been demonstrated that even the so-called interim program, which according to FLC can only be executed if credit is extended, is beyond the economic capacity of the Latin American countries, and if carried through will substantially increase the armaments of Latin America.

(2) Stocks of surplus military equipment, the availability of which is essential to the exchange feature of the bill, are no longer adequate.

(3) Responsible opposition to the arms program both here and in Latin America is increasing.

(4) The United States has taken a leading role in seeking the adoption by the United Nations of a disarmament program.

42 The Secretaries of the Navy (Forrestal) and of War (Patterson) in letters of November 12 and December 5, 1946, respectively, expressed their interest in the two bills to provide for inter-American military cooperation (H.R. 6326; S. 2173) and the detailing of United States military and naval missions to foreign governments (H.R. 5453; S. 1847), which were introduced in the 79th Congress but not enacted. They recommended that these bills be submitted to the 80th Congress.

42 See the memorandum infra; the new program was referred for further study to the State-War-Navy Coordinating Committee.
HR 6326 was proposed to Congress on the express understanding that it would not lead to an increase in the armaments of Latin America, nor impose any heavy financial burden on the Latin American countries. The developments mentioned above make it clear that the program envisaged in the bill cannot now conform to that understanding.

The Department has consistently maintained that any considerable increase in Latin American armaments—which it is now clear would be the inevitable result of the program—would be highly undesirable because it would:

1. Unless subsidized by the United States, impose a heavy burden for unproductive purposes on the weak economies of Latin America, thus retarding social progress and perpetuating low standards of living, health, and education—all conditions dangerous to hemisphere security.

2. Perpetuate the grip of reactionary military groups in Latin America.

It has now been estimated that completion of the so-called interim program would cost Latin America upwards of 75 million dollars. The program envisaged under HR 6326 approaches one billion dollars—an arms sale of unparalleled magnitude in time of peace and infinitely beyond the economic resources of Latin America. One billion dollars is:

Fifty times the total funds expended by this Government in the cooperative program with Latin America in the fields of agriculture, science, civil aviation, education, et cetera, since 1940.

Twelve times the total funds made available by the Government of the United States and the other American republics for the health, sanitation, and agricultural programs of the Institute of Inter-American Affairs from 1943 to 1948.

Ten times the total payments due this government for lend-lease transfers to Latin America during the entire period of the war.

Three times the total disbursements of the Export-Import Bank in loans to Latin America during the twelve years of the Bank's operations.

The program envisaged in HR 6326 would:

1. Increase indefensibly the total arms potential of Latin America.

2. Promote an arms race.

3. Strengthen those Latin American forces which are antagonistic to the purposes and interests of the United States.

4. Increase the danger of Communism by (a) perpetuating conditions favorable to its spread and (b) running the risk that Communists, already infiltrating Latin American armies, would seize the arms.

5. Aggravate the destructive effects of future revolutionary upheavals in Latin America.
It is the conviction not only of the undersigned, but also of my principal associates—including the Director and Deputy Director of the Office of American Republic Affairs—\(^3\) that to proceed with this program would be disastrous to our inter-American relations. In addition, the bill is vigorously opposed by the three outstanding authorities on Latin American affairs recently selected by Assistant Secretary Russell \(^4\) to assist the Department in the formulation of over-all Latin American policy.

Spruille Braden

\(^3\) Deputy Director Edward G. Trueblood.
\(^4\) Donald S. Russell, Assistant Secretary of State for Administration.
THE WHEAT-RUBBER PROBLEM OF ARGENTINA, BRAZIL, AND THE UNITED STATES

832.61311/12-1445

The Department of State to the Brazilian Embassy

MEMORANDUM

The Department of State refers to the memorandum of December 14, 1945 of the Office of the Commercial Counselor of the Brazilian Embassy relating to the problem of supplying truck tires to Argentina to make possible resumption of wheat exports to Brazil in the amounts needed by that country, a matter which a member of the Department has since discussed orally with representatives of the Brazilian Embassy.

The Department wishes to inform the Embassy that this Government is keenly aware of the need of doing everything possible to maximize shipments of grain from Argentina in the first half of 1946 in order to relieve the serious world-wide shortage of bread grains. Steps have been taken to make up to 30,000 tires available from the United States for use on trucks in Argentina to carry wheat to export positions. Application for export licenses to cover this export is now being made to the United States Department of Commerce. It is the understanding of this Government that the number of tires indicated in the figure above is sufficient to ensure, in so far as motor transport enters into the pattern of movement, that surplus Argentine wheat is made available at export points. Arrangements are to be effected whereby distribution and use of these tires for the express purpose indicated shall take place under the observation of representatives of the United States Government.

Discussions are now in progress in the Combined Food Board Cereals Committee, on which Argentina now has a member, looking to the extension of programming of wheat shipments as now made from the United States and Canada to include Argentina and Australia. By this means it is hoped that a pattern for world movement of wheat may be worked out which will meet with general approval.

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2 Not printed: it indicated Brazilian willingness to deliver 15,000 tires to Argentina, and urged the United States to support its request to Argentina to restore its previous level of wheat shipments to Brazil (832.61311/12-1445).
Account would be taken in such a program of the amount and the source (presumably Argentina) of wheat to be moved in any given period to Brazil.

WASHINGTON, January 25, 1946.

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832.24/1-3046: Telegram

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

RESTRICTED

WASHINGTON, February 4, 1946—7 p. m.

177. ReEmb 213 Jan 30.² Dept has no objection to Braz sending 10,000 tires to Arg, providing none are taken from Braz production up to and through Jan 31 in accordance with oral pledges made at time of cancellation of tire and tube agreement.³

Believe both impossible and unwise suspend embarking tires for Arg. First shipment totalling 4,000 tires left US for Arg on Feb 2 and balance to be shipped over period of 90 days.

As stated in Depts 126 of Jan 25,² is understood Braz would be included in any international allocation plan drawn up with Arg cooperation and that to extent Arg not indicated as source for all of wheat considered by CFB to be share of Braz in light of world deficit, other sources would be indicated. Since effecting of a coordinated pattern for shipments from export countries may take considerable time, is proper Arg make arrangements with Braz to assure continuation of shipments from that country, which is logical source. Braz needs could not, as implied in Emb 213, have already been “definitely provided for by Combined Board” apart from cooperation of Arg in making available her wheat for export. This true because of great world shortage (see Depeirairgram Dec. 26). Furthermore any CFB allocation which might be recommended would not exclude necessity for bilateral arrangements between the exporting and importing countries implementing allocations indicated. The sooner therefore Braz reaches an understanding with Arg in this matter the sooner will she have received the assurances with regard to fulfillment of her import needs which she so much desires.

CFB will only make “definite allocations of Argentine wheat” (reEmb 231 Feb. 1, 1946 ²) if and when international allocation set up. Prerequisite for any such allocation or joint programming is cooperation of Arg in working out amounts and destinations of

²Not printed.
³For a summary of the agreement, see Foreign Relations, 1942, vol. v, p. 719, footnote 87; with regard to its termination, see ibid., 1945, vol. ix, telegram 3437, November 16, 1945, from Rio de Janeiro, p. 712.
wheat to be exported from that country within a given period. Any wheat quota arranged for by Braz with Arg in exchange for tires would be deductible from the total for Braz.

It is not contemplated that Braz stated requirement can be fully met, particularly for first half 1946. A total of 460,000 tons for first half has been tentatively proposed, most of it to come from Arg. This figure is not at all definitive and is subject to further reduction if the prospective world wheat supply position worsens. This amount could however be taken now as indicating an absolute maximum for the half year.

Byrnes

832.24/2-1246

Memorandum of Telephone Conversation, by the Acting Chief of the Division of Brazilian Affairs (Braddock)

[WASHINGTON,] February 12, 1946.

Mr. Campos asked whether, in exchange for 30,000 tires which the United States had agreed to ship to Argentina, we had requested a specific commitment that a certain amount of wheat should be exported from Argentina to Brazil. I replied that no such commitment had been asked for, and reviewed for him our position on this whole question as it had been communicated recently in instructions to the Embassy in Rio. Mr. Campos expressed once again the annoyance that his government felt because the United States had: (1) failed to consult with Brazil concerning this deal, as it should have under the Tri-Partite Agreement; (2) interfered with and spoiled Brazil’s separate negotiations with Argentina for a normal supply of wheat. He stated further that the Brazilian Government was not satisfied with the tentative allocation that had been mentioned for Brazil of 460,000 tons of wheat for the first half of 1946, which was understood to be under consideration by the Wheat Committee of the Combined Food Board. He said that Brazil’s normal consumption of wheat is much less per capita than that of the United States, France, and many other countries, and that this consumption simply did not permit of reduction in the same proportion as that which could be borne by countries like the United States which normally consumed a lot of wheat in luxury uses. He said that the Brazilian Government felt that its legitimate requirements had been subordinated by the United States to those of other users.

* Roberto Campos, Second Secretary of the Brazilian Embassy.

* For bracketed note on this agreement, see Foreign Relations, 1945, vol. ix, p. 707.
I expressed regret again at our failure to consult with Brazil, called attention to the fact that it was largely because of Brazil’s appeal to us for help in getting wheat last December that we had undertaken the tire negotiations with Argentina, stressed the existence of famine conditions in Europe and the sacrifice which the United States was preparing to make in its consumption to help meet the situation, and suggested to Mr. Campos that if Brazil were dissatisfied with any allocation that might be made to it by the Wheat Committee of the Combined Food Board, it should carry its appeal directly to that Committee. Mr. Campos intimated that Brazil was not much in sympathy with the existence or operation of the Combined Food Board in any case, and made it clear that his government was annoyed at not having been offered the opportunity, as one of the large wheat consuming countries of the world, to be represented on the Wheat Committee.

Mr. Campos was not satisfied with my explanations, and it is clear that our tire-wheat deal with Argentina still rankles with the Brazilians. We should, in my judgment, be extremely careful not to fall into the same error again of violating or evading any agreement we have with Brazil.

The Brazilian Chargé (Lobo) to the Secretary of State

WASHINGTON, February 16, 1946.

EXCELLENCY: I have the honor to inform you that this Embassy has been advised by the Ministry of Foreign Relations that the negotiations to ensure an adequate supply of Argentine wheat for Brazil are now at a standstill.

2. Although the conclusion of an agreement was expected until a few days ago, it appears that the recent announcement in regard to shipment of American tires to that country has produced an unfavorable effect on the position of the Brazilian Government in the matter of these negotiations, in view of the fact that the exportation of tires was made without the consultation called for by the tripartite agreement, the United States Government having declined furthermore the suggestion to delay the actual shipment for a few days, and considering also the absence of any clause conditioning the supply of tires to specific commitments for the export of wheat.

3. It is felt in Brazil that as a result of the transaction, the Argentine Government, left free to strike the best bargain among prospective buyers, has shown considerable less interest in carrying out the negotiations.
4. Because of these developments the Brazilian Government is unable to confirm the viewpoint according to which the failure to consult with the Brazilian Government in advance of the transaction could be justified on the ground that such action aimed precisely at enhancing the opportunities for Brazil and other countries to obtain larger imports of wheat. The Brazilian Government does not thereby consider that there is anything objectionable per se in the exportation of tires or of any road equipment that may contribute to relieve a world shortage of a basic foodstuff; but it feels that the same transaction might have been better timed with its negotiations, without hindrance to the aim of relieving world shortage, while involving conditions more directly helpful to the countries interested in the supply of Argentine wheat.

5. The maintenance of a sufficient level of wheat imports is a matter of grave concern to the Brazilian Government. The normal consumption of wheat bread in Brazil (26.5 kilograms per capita yearly) can be regarded as a minimum dietary requirement, which, contrarily to that of other countries that enjoy higher nutrition standards, cannot be further compressed without reducing large masses of population dangerously close to the subsistence level. This fact, in our view, should be given special weight in the determination and measurement of minimum import quotas.

6. The use of substitute foods has been made particularly difficult by the liquidation of our manioc flour (farinha de raspa) industry, subsequently to the Brazilian-Argentine agreement signed in 1940, which aimed at eliminating manioc and rice mixtures in the bread consumed in Brazil and of chicory and sugar in the coffee consumed in Argentina, both of which practices curtailed artificially consumption and imports, restricted the international division of labour and created a permanent source of commercial friction between the two countries. If we are to reestablish the large scale utilization of manioc flour, it would be necessary to guarantee a long lease on life to the manioc industry, through the erection of trade barriers and extension of subsidies, measures which would be particularly unfortunate at a time when a generous drive for relaxation of trade barriers is being conducted.

7. Other possible substitutes, such as rye and barley, are not produced in any significant amounts and the utilization of corn would only aggravate its shortage for cattle feeding. The alternative of an all-out effort to increase local wheat production, besides being essentially a long-run solution, would result in an uneconomical diversion of resources, and in the strengthening of the tendency towards nationalistic self-sufficiency, which would not consult either the interests of the wheat producing countries or our own.
8. It thus appears that in the Brazilian case there is no possibility, in the short run, either of compressing consumption or of lessening the dependence upon imports.

9. It would be, therefore, of great help if Your Excellency could advise us whether the Brazilian Government can be assured of the cooperation of the Government of the United States as regards the establishment and implementation of quotas for the supply of wheat to Brazil, particularly in view of the fact that normal requirements in that country exceed minimum standards of nutrition by a very thin margin.

I have the honor to renew to Your Excellency the assurances of my highest consideration.

FERNANDO LOBO

832.24/2-27/46

The Brazilian Chargé (Lobo) to the Secretary of State

WASHINGTON, February 27, 1946.

EXCELLENCY: I have been directed by my Government to request an emergency shipment of wheat to relieve a most serious food crisis in Brazil. The situation of wheat stocks has been steadily deteriorating and has now reached a critical point. Wheat imports which were maintained at an average level of 100,000 tons for the first half of 1945 showed a 60% drop in the last quarter of the year. By December only 15,321 tons were imported from Argentina, of which 6,889 tons were received through the port of Rio de Janeiro and 8,432 through Santos. In January 7,854 tons came in through Rio de Janeiro and 15,638 tons through Santos. During February no shipments were received. The imminent crisis was averted in January through the shipment of 16,000 tons of wheat from this country, during December, and shipments of wheat flour during December and January.

2. The lack of wheat imports during February has precipitated the crisis. A dispatch under date of yesterday informs that all the mills of Brazil are paralyzed, except for the Moinho Fluminense in Rio de Janeiro, which has drastically reduced its output. The last information on total wheat stocks in Brazil as of February 21st, indicated the figure of 51,000 tons, which by now will have been considerably reduced. No flour stocks exist in the interior of any State, although there are small stocks, mostly of American flour, recently received in the southern capitals. The city of São Paulo held, as of yesterday, 120,000 bags and the Federal District 110,000 bags, which will ensure but a few days supply for the two cities, under strict rationing, and cannot be made available for the interior.
3. A growing social unrest is occurring in the cities, whose population is heavily dependent on bread. The scarcity of bread, which now can be had only three times a week in the capitals, and is practically unavailable in the interior, constitutes one of the major factors in the current wave of labor unrest in Brazil.

4. It is obvious that this situation is extremely dangerous and that immediate steps should be taken to alleviate the crisis. Since we have been unable to obtain shipments from Argentina, it is requested that advance shipments be made, from the Combined Food Board pool, against the Brazilian allocation, which is now under consideration. It is our understanding that a month's supply, under the tentative allocation scheme, would amount to 66 to 76,000 tons, and it is requested that such quantity be immediately shipped to Brazil, as corresponding to our February import quota which has not so far been implemented. The question of the total amount to be allocated, is, as we understand it, still open for discussion. The Brazilian requirements have been set at the figure of 600,000 tons for the first six months of the year, or one third above the tentative allocation so far contemplated by the Combined Food Board. It is felt that this reduction of supplies, as compared to the minimum requirements of a basic food item, imposes on Brazil a much larger proportionate sacrifice than that of other countries currently and actively cooperating for the rehabilitation of devastated areas.

5. Whatever the final agreement may be on the half-year allocation, the immediate problem is to secure emergency shipments, which are now imperative to reopen the mills and afford relief to a most serious situation.

6. In making this appeal to the United States Government, the Brazilian Government is fully confident that the gravity of the crisis which prompted this emergency request will be fully appreciated.

7. In view of the urgency of the matter, I would appreciate being informed as soon as possible of any action taken for communication to my Government.

I have the honor to renew to your Excellency the assurances of my highest consideration.

FERNANDO LOBO

832.61311/3-146: Telegram

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

WASHINGTON, March 1, 1946—8 p. m.

296. In reply to urgent request presented by Braz Emb yesterday for emergency shipments of wheat from US to Brazil in March to be deducted from Brazil's eventual wheat allocation, Dept informed Emb this morning as follows:
Dept took up strongly question of emergency shipment of wheat from US for Brazil in general wheat meeting yesterday afternoon. Argentine representative there stated that only the day before he had urgently recommended to his Govt that Argentina send emergency shipment of wheat to Brazil. While US Govt wishes to help, situation is such that before any steps are taken to secure wheat here we must know whether Argentine Govt is going to act on above mentioned request. Dept suggests that Braz Emb here get in touch immediately with Braz Emb in Buenos Aires to press Argentine Govt for favorable action on recommendation sent by Argentine representative here.7

BYRNES

835.6176/3-1046: Telegram

The Secretary of State to the Chargé in Brazil (Daniels)8

CONFIDENTIAL

WASHINGTON, March 19, 1946—7 p. m.

383. For ur info natural rubber situation and US policies re international distribution natural rubber during transition period are as follows. 1, Contd international allocation by Combined Rubber Committee with US participating. 2, allocation by CRC to all mfg countries to be equitable in quantity and price. 3, contd public purchase by US. 4, US continue temporarily as purchaser in Far East for itself and for all other American republics. 5, continuation of US as source of all natural rubber for all other importing American republics. 6, resale price by US beginning with second quarter allocations to be non-profit and based on cost in Far East plus incidental charges. 7, US to continue purchases under existing American republic agreements. If requested, US will amend agreements to permit reduced internal prices in producing countries. US does not expect to extend agreements in other American republics or make new agreements. 8, contd US limitation of imports of manufactured rubber products to those which conform with CPA order R–1. This order limits natural rubber content of products made in US. 9, US willing to terminate or continue Tripartite Agreement. As long as agreement in effect, Brazil, Argentina, and US obligated to consult and agree upon Argentine receipts, but approval of CRC allocation expected be perfunctory as long as Argentina fulfills commitments and responsibilities.

7 In a note of March 14, 1946, the Brazilian Embassy reported that negotiations with Argentine authorities were stalled and renewed the request for emergency shipments (832.61311/3–1446).
8 Sent to the Embassy in Buenos Aires for information only.
Early in first quarter 1946 CRC allocated to Argentina 578 long tons natural rubber from US and 150 tons butyl from Canada for same quarter, subject to Brazilian concurrence under Tripartite Agreement.

Emb instructed seek concurrence of Brazil to joint Brazil-US proposal to Argentina that if it will take effective measures at once to make wheat available for export to meet its commitments and to fulfill needs of countries whose supply it regards as its primary responsibility as represented in Combined Food Board Cereals Committee, US and Brazil will (1) agree to shipment of first quarter allocation mentioned previously, and (2) introduce and support in the Combined Rubber Committee an allocation of 1,250 tons natural rubber for second quarter. This would permit Argentina to manufacture rubber products in second quarter at pre-war rate with the 50 percent natural rubber content, the same as for all other countries except US and Canada which have limited themselves to 35 percent.

Urgent action and reply requested because quarter almost ended and Dept under considerable pressure and criticism. Emb at Rio requested to consult Brazilian Govt on any matters in this telegram which, in Emb’s judgment, require such a course under the Tripartite Agreement.

BYRNES

822.24/3–2146; Telegram

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

BUENOS AIRES, March 21, 1946.
[Received March 22—1: 15 a. m.]

820. Press release dated March 14 Argentine Commerce Department emphasizes that critical inland transportation problem arising from scarcity of tires seriously interferes with movement grains to ports, that arrangements with UNRRA provide for substitution of 3,500 tons corn now at ports for equal amount of wheat and that 15,000 tons wheat will be exchanged for sugar and tires from Brazil. First shipment of 7,800 tons wheat to Brazil scheduled March 18 via Rio Chubut which expects return with 6,000 tons sugar and 3,000 truck tires. Press comments indicate 10,000 tires involved in barter arrangement allotted as follows: Firestone 2,900; Goodyear 2,220; Brazil 1,800; Pirelli 3,330; Dunlop 950; Atlas 600; US Rubber 200.

CABOT
The Department of State to the Brazilian Embassy

MEMORANDUM

With reference to the Aide-Mémoire left by the Ambassador of Brazil with the Assistant Secretary of State on March 25, in which the Brazilian Government requests the consent of the United States Government to the release of certain quantities of crude rubber in Santos and the State of Pará to be used by Brazil as the basis for a trade with Argentina for wheat, the Ambassador is informed as follows:

The Combined Rubber Committee early in the first quarter of 1946 allocated to Argentina, subject to Brazil’s concurrence under the Tripartite Agreement, 578 long tons of natural rubber from the United States and 150 tons of butyl rubber from Canada for that quarter.

The United States Embassy in Rio de Janeiro was instructed on March 19 to approach the Brazilian Government for its concurrence in a joint Brazil-United States proposal to Argentina that if Argentina would take effective measures at once to make wheat available for shipment to fulfill its present commitments and to meet the requirements of countries whose supply it regards as its primary responsibility, the United States and Brazil would agree to the shipment of the aforementioned first quarter allocation of rubber and the former would introduce and support in the Combined Rubber Committee a second quarter allocation for Argentina of 1250 tons of natural rubber.

The prompt obtaining of wheat for Brazil is a primary objective of the proposal outlined in the preceding paragraph. If agreed to by Brazil and accepted by Argentina this proposal should accomplish the purpose sought in the Embassy’s Aide-Mémoire under reference and relieve the serious food crisis in Brazil.

WASHINGTON, March 26, 1946.

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811.20 Defense (M) Argentina/3-2746

Memorandum of Conversation, by the Acting Chief of the Division of Brazilian Affairs (Braddock)

[WASHINGTON,] March 27, 1946.

Mr. García called on me this morning at the request of his Ambassador to discuss further the subject of our memorandum reply of March 26 concerning the possibility of getting wheat from Argentina for Brazil in return for rubber to be supplied Argentina.

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* Not printed.
38 Department’s telegram 388, March 19, 7 p.m., p. 118.
39 Celso Raul Garcia, Second Secretary of the Brazilian Embassy.
I explained to Mr. García that we thought that our proposal would result in getting for Brazil the wheat she needed and that as we were waiting for an answer on this proposal, it seemed preferable not to take up directly the Brazilian proposal in order not to confuse the issue.

With regard to the Brazilian proposal, I went on to say that if the question had simply been one involving Brazil, the United States and Argentina, there would have been no question at all but that the United States would have readily assented to Brazil’s suggestion, but that unfortunately this question could not be dissociated from the whole problem of rubber supply and distribution. Taking up the thread of the discussion that had begun the day before in Mr. Braden’s office with the Ambassador, I explained to Mr. García why it would be difficult, under actual circumstances, for the United States to agree to the Brazilian proposal. I stated that if Brazil were to be free to sell its rubber to Argentina, it would be exceedingly difficult for the United States to restrain the Far Eastern producers from doing likewise and that in the interest of maintaining the Far Eastern price at a reasonable level we were anxious that the South American consuming countries not enter the world rubber market as our competitors. A very few cents increase in the price of Far Eastern rubber would mean a heavy expense to this country.

I went on to argue that it would be of no economic benefit to Brazil if she were to provide this rubber to Argentina instead of the United States since (1) if Argentina chose to put the transaction on a strictly value-for-value trading basis, Brazil could not possibly find enough rubber to sell Argentina in return for the wheat she needed; (2) Brazil could hardly hope to establish a permanent market in the Argentine for its rubber unless a way were found to cut the Brazilian cost of production approximately in half to meet the cost of the Far Eastern producer; and (3) under Brazil’s agreement with United States, she was assured of being able to sell all of her exportable surplus until June 30, 1947 to this country at a price far higher than she could hope to obtain elsewhere.

Mr. García stated that he understood this reasoning and considered that the proposal we had made should solve in a satisfactory manner the wheat crisis. He admitted that he saw no special advantage to Brazil in making the rubber shipments herself. He said that he felt that there might be some advantage if the rubber the United States was to supply to Argentina under the proposal came from the stocks which the Rubber Development Corporation was holding in Brazil since this would perhaps improve Brazil’s trading position in submitting the proposal to the Argentine Government as a means of getting wheat. He mentioned that it was not clear from our memoran-
dum where the rubber which the United States would sell to Argentina under the CRC allocation would come from, and I offered to make inquiry on this point and let him know.

Mr. García then asked whether the wheat that Brazil might be able to obtain under this proposal would be charged against its allocation by the Combined Food Board and I stated that undoubtedly it would be so charged. He asked whether the United States would ship wheat in case Argentina would not or could not fill its part of the CFB allocation to Brazil and I replied that it was my understanding that if this should happen the CFB would take steps to transfer the unfilled part of the allocation to another source which might well be the United States.

I pointed out to Mr. García the veto power which Brazil had over the present proposal by virtue of the Tripartite Agreement which obligated United States to consult Brazil regarding shipments of rubber and tires to the Argentine (this point had already been brought up in the meeting with Mr. Braden) and called his attention to the fact that Brazil was free, if it wished, to make as a condition of its joining the United States on this proposal that specific quantities of wheat be shipped to Brazil by Argentina.

Mr. García stated that he had been surprised to read in the Ambassador’s aide-mémoire on this question the statement that the wheat problem “as the American Government itself has indicated, cannot be solved with the United States and it will be necessary to have recourse to Argentina”, and he asked if any such indication had in fact been given by the United States. I answered that to my knowledge there had been no such indication at all and that the United States continued ready to give every assistance it could toward working out the difficult wheat problem.

Mr. García finally brought up the matter of flour licenses and wanted to know whether any measures had been taken to permit the resumption of flour shipments to Brazil. I informed him that I had received information that the Department of Agriculture had agreed to the licensing of 15,000 tons of flour to Brazil but that I was not yet sure to what period this quantity applied. He stated that it would help materially if this information could be transmitted to his Government and requested me to find out if possible the period affected and to let him know.

12 Handed to the Assistant Secretary of State by the Brazilian Ambassador on March 25, 1946; not printed.
WHEAT–RUBBER PROBLEM

SECRET                              BUENOS AIRES, April 1, 1946—8 p. m.

[Received April 1—6:50 p.m.]

923. ReEmbtel 829, Mar. 22. Reports received from Brazil indicate that profitable clandestine trade hinders Brazil’s concurrence to proposed natural rubber shipments. Problem is increasingly difficult for Embassy since first quarter has passed with no announcement yet given re allocation for either first or second quarter. Believe it imperative that immediate concurrence of Brazil be obtained or that tripartite agreement be officially abandoned to permit thereby action by US in supplying Argentina’s essential natural rubber requirements. Repeated to Rio.

CABOT

RESTRICTED                           RIO DE JANEIRO, April 2, 1946—3 p. m.

[Received 4:57 p.m.]

612. Communist Tribuna Popular March 31 contains vicious article characterizing “Washington agreements” as responsible for inability of Brazil to obtain wheat from Argentina. Article states that normalization of Argentina–Brazilian commerce would end the economic encirclement of the country by monopolistic North American colonizing capitalism and states that powerful interests of Wall Street would care little if the Brazilian populace was left without bread. Article insists that only by exporting rubber and its manufactures to Argentina can wheat problem be solved. Similar criticism of crude rubber agreement hampering procurement needed wheat supplies has come from other sources including Brazilian officials.

In view of the harm which is being done by attacks on rubber agreements which are by no means confined to Communist circles, Dept may wish to consider advisability of making gesture of offering to cancel the basic rubber agreement of 1942 if such action is desired by Brazil. It is not believed that Brazil would request cancellation since the wiser counsels of those in FonOff who are fully aware of benefits to Brazil of rubber agreement would probably prevail. Thus we would silence at no cost to ourselves the critics who are blaming

Not printed.

For information on rubber agreements, see Foreign Relations, 1942, vol. v, pp. 601 ff.
our exclusive rubber purchase for the wheat shortage. Argentina presumably would not pay 60 cents per pound for Brazilian rubber in any event. If Brazil requested cancellation, small amounts available for export could not have a seriously disruptive effect on prices, and we would be relieved of obligation of buying Brazilian rubber at price far above world level.

Additionally such an offer would give Brazil option of accepting same status as other Latin American rubber producing countries whose agreements with US will expire in 1946.

Brazilian Govt has not yet replied to Embassy memo based on Dept’s recent tel on rubber policy.

In light of foregoing considerations request telegraphic authority to hand memo to FonOff expressing willingness of US Govt to cancel crude rubber agreement immediately or at such time prior to June 30, 1947, as may be considered convenient by Brazilian Govt, if Brazil desires such cancellation to assist in meeting problem of obtaining wheat from Argentina.\textsuperscript{15}

Repeated to Buenos Aires.

\textsuperscript{15} The Chargé reported in telegram 628, April 3, 1946, 7 p. m., that the Brazilian Foreign Minister did not wish to cancel the rubber agreement and recommended that the Department approve the request to ship 1,500 tons of rubber to Argentina as an emergency measure (832.6584/4-346).
being widely attacked in Brazil for our unwillingness to assist the
Brazilians in their crisis. The Communists are viciously exploiting
this situation to do us harm. I have exhausted my resources in try-
ing to get action. Will you try again?

DANIEL M. BRADDOCK

832.24/4-446: Telegram

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

CONFIDENTIAL

RIO DE JANEIRO, April 4, 1946—7 p. m.
[Received April 5—8:21 a. m.]

635. FonOff unwilling to take any stand regarding export Amer-
ican tires (ur46 436, April 2 18) to Argentina or regarding basic rub-
ber policy (ur46 583 March 19) until after conversations with mission
from Argentina headed by Minister of Economy due to arrive here
fifth. Brazilian arrangements to ship 10,000 tires to Argentina by
end of April if carried through should reduce need for American
tires and if 1500 tons Brazilian rubber (Embtel 628, April 3 19)
should be shipped to Argentina at once, need for American tires
would become still less urgent. Indications are that Brazil will en-
deavor to make optimum use of tripartite agreement May 2, 1945 to
extract maximum amount of wheat from Argentina.

Sent to Department; repeated to Buenos Aires.

DANIELS

832.24/4-846: Telegram

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

CONFIDENTIAL

WASHINGTON, April 5, 1946—7 p. m.

459. Embtel 628, Apr. 3.17 Braz Emb yesterday afternoon pre-
ased a further proposal regarding rubber and wheat as follows:
Brazil to utilize 578 tons Brazilian crude rubber to fill Argentina’s
first quarter CRC allocation and 1250 tons for Argentina’s second
quarter allocation, deducting these quantities from deliveries Brazil
required to make to RDC under Washington Agreement; Tripartite
Agreement to continue in effect.

Emb is being informed in reply that US Govt would consent to sale
of this rubber to Argentina under two conditions: (1) That prices
not exceed those at which US will supply rubber allocations of all
countries in South America, namely 60 cents per pound for first quar-
ter allocations and approximately 22 1/2 cents per pound second quarter

18 Not printed.
17 See footnote 15, p. 124.
allocations; (2) that Brazil agree to prompt termination of Tripartite Agreement.

US Govt could not be party to arrangement whereby Argentina would be misled as to price at which she as well as other American republics will be able to buy rubber during second quarter. Termination of Tripartite Agreement is viewed here as essential if allocations made by CRC to Argentina now and in future are to be effective.

US Govt would obviously be willing to release Brazil from basic Rubber Agreement of 1942 if such action desired by Brazil (Embtel 612 Apr 2) and you may in your discretion use this offer to combat current press attacks on US which hold this agreement as responsible for Brazil’s inability to obtain wheat from Argentina. Repeated to Buenos Aires for confidential information of Emb.

BYRNES

800.5018/4-846

The Acting Chief of the Division of Brazilian Affairs (Braddock) to the Chargé in Brazil (Daniels)

SECRET

[WASHINGTON,] April 8, 1946.

DEAR PAUL: The wheat-rubber discussions have now been going on for some time and not much prospect of a really satisfactory solution is yet in sight. The terrific tightness of wheat is the major obstacle. The United States is far behind on its commitments to Europe, and the men who are responsible for determining where our wheat shall go just don’t have nearly enough supplies with which to do the job. Late comers and particularly those who do not normally depend on the United States for their wheat have practically no chance to get anything here. Mr. Braden has gone to bat in the most vigorous way to try to get emergency shipments of wheat or flour for Brazil, and just can’t get to first base. Rubber does not seem to offer too good a means for coaxing wheat out of Argentina and the Brazilians, in their desperation to get wheat, have apparently not understood how weak their rubber bargaining position is. It is impossible for any one to hold back the tide of Far Eastern rubber that is now coming on the market. All countries, including Argentina, will be getting more rubber and at much less price than they have been for years.

For our part we are committed for the second quarter, at least, to meeting the CRC allocations of the American republics at the same price that we ourselves have to pay for Far Eastern rubber.
To continue to sell them at 60 cents a pound when they know we are buying in the East at approximately 22 cents would bring down on our heads a storm of justified criticism; moreover, it would make it impossible for us to keep these republics out of direct participation in the Far Eastern market as our competitors. This we want to avoid since their demands, though small, could easily result in forcing up the price at which we can buy rubber for our own needs. It is possible that the Argentines are still unaware of our policy to furnish all the American republics, beginning with the second quarter, with the amount of their rubber allocations at the cost to us of Far Eastern rubber, but if Brazil were to trade on this ignorance, it could only have an unfortunate reaction when the Argentines learned that they had been taken in. In such case Brazil might really have something to worry about regarding her future wheat supply. Moreover, as pointed out in our telegram to you of April 5, no. 459, the United States could not be a party, even a silent one, to such a misrepresentation.

Some of this appears in the note which we sent to the Brazilian Embassy in reply to their last rubber-wheat proposal, referred to in the telegram in question, and other aspects we have discussed very frankly with Garcia of the Brazilian Embassy. I have told him also, in urging Brazil’s agreement to cancellation of the Tripartite Agreement, that this agreement could not possibly be used as a permanent lever for prying wheat out of Argentina, since if there were no other means of making the Argentina rubber allocation effective, the CRC could simply change the source of the allocation. The Far Eastern producers are not in the least bound by the Tripartite Agreement.

On the other side of the picture, there is no doubt at all that if, on the one hand, Argentina is entitled to her rubber allocation, Brazil is no less entitled to her allocation* of wheat, and it is incumbent on us and on the members of the Combined Food Board to do our utmost to see that Brazil’s wheat allocations are filled.

It seemed to me that you might be glad to have a little more of the Department’s thinking on these questions than is possible to convey in telegrams bearing on this or that specific proposal.

Sincerely yours, 

Daniel M. Braddock

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*Allocation still tentative; no allocations have been finally determined and can’t be until Argentina and her possibilities are factors that can be counted on. [Footnote in the original.]
832.24/4-948: Telegram
The Chargé in Brazil (Daniels) to the Secretary of State

Rio de Janeiro, April 9, 1946—4 p. m.
[Received 7:53 p. m.]

662. ReEmbStel 628, April 3, 7 p. m. This morning Gracie informed me of FonMin’s urgent and reiterated desire that Brazil be permitted to ship as soon as possible to Argentina 1,500 to 2,000 tons crude rubber to facilitate immediate shipment urgently needed wheat from Argentina to Brazil. Embassy reiterates recommendation transmitted its telegram 628 and hopes prompt authorization will be telegraphed permitting such shipment rubber without further negotiations or conditions. Effect would be most favorable in Brazil and presumably Argentina.

Gracie reiterated desire of Brazilian Govt to maintain 1942 agreement indicating proposed export rubber to Argentina would be exception and outside terms that agreement. He added that Brazilian Govt accepted proposals contained in Embassy’s memo March 26 embodying substance Dept’s recent telegram on rubber policy. Major point he stressed was simply immediate agreement on part of US that shipment of 1,500–2,000 tons crude rubber be permitted without prejudice to other agreements.

Argentine Minister of Commerce and Industry, Sauri plans to return to Buenos Aires tomorrow Gracie said. No specific agreement has been reached between him and Brazilian Govt other than mutual expression of good will to furnish wheat and rubber respectively. If no such arrangement is consummated and if both Brazil and Argentina publicly express their desire to conclude such transaction or regrets that it was impossible US will be holding the bag in so far as public opinion is concerned.

Repeated to Buenos Aires.

Daniels

38 See footnote 15, p. 124.
39 Samuel de Souza-Leão Gracie, Secretary General of the Brazilian Foreign Office.
SECRET

BUENOS AIRES, April 9, 1946—5 p. m.
[Received 6:26 p. m.]

1017. ReDeptel 463, April 5. It is reliably reported that Brazil is attempting to negotiate a 5-year contract for Argentina’s natural rubber requirements on basis of 30 cents per pound in exchange for wheat. American tire companies naturally disturbed since this would result in excessive cost to them of raw materials. In view of excessive prices Argentina has been forced to pay for natural rubber, an agreement at 30 cents would appear as important victory for Col. Sauri as result of his trip to Rio.

It is very obvious that if Argentina could be assured its essential requirements of natural rubber at approximately world prices, it would welcome and even suggest cancellation of tripartite agreement. Since Dept has not authorized Embassy to inform Argentina of our willingness to guarantee specified first and second quarter allocations at prices mentioned in Deptel 463, Argentina naturally has no knowledge of US attempt to obtain fair treatment for it in present critical situation. Actually US is credited with obstructing all of Argentina’s efforts to solve critical rubber situation and our silence merely furthers current belief. This is reflected in all official conversations. I believe Brazil is making full capital of situation and not only using present natural rubber situation as club to obtain wheat, but also to emphasize Brazil’s sincere effort to aid Argentina.

I strongly recommend that Embassy be immediately authorized to inform Argentine Govt that:

1. A minimum supply of 550 tons quarterly of natural rubber will be made available to Argentina.
2. The 60-cent price will prevail for first quarter allocation and subsequent prices will be based on prevailing world prices.
3. US is willing to cancel tripartite agreement as soon as agreement of others is obtained.


Wheat-Rubber Problem

SECRET

WASHINGTON, April 12, 1946—7 p. m.

489. The prolonged and thus far fruitless discussions with respect wheat for Brazil and rubber for Argentina are causing growing feeling of irritation between all three countries. Moreover an irresistible
pressure is mounting against US Govt on part of members of Combined Rubber Committee and recipient countries for rubber allocations to permit the Committee to proceed in making its allocations effective. US Govt which is most desirous of seeing that Brazil's needs for wheat and Argentina's for rubber are met is unwilling longer to accept criticism for situation which it did not create and for which it does not feel responsible. It could not in any case hold back execution of rubber allocations for more than a few days longer. CRC will meet again on Apr 18 at which time it is fully expected that unless situation has been otherwise resolved Great Britain and Netherlands will take matters into their own hands and reassign the Argentine allocations so as to nullify any restraining effect of Tripartite Agreement.

Brazilian Govt has been informed why none of its proposals to US could be fully accepted. US has no authority to change either size or source of any allocations of CRC nor modify the conditions established by CRC for use of the rubber allocated. The decisions taken by CRC in this regard envisage fair and equal treatment for all and US Govt is in accord with them. If solution of Brazil's problem were as simple as our merely releasing to Brazil for disposal by her a part of the rubber pledged to US under purchase agreement of Mar 3, 1942, US would gladly have done so. Unfortunately situation is far more complex and involves whole fabric of rubber allocation system which US views as essential at this time.

If it will contribute to successful bilateral negotiation between Brazil and Argentina and negotiation can be brought to final conclusion by Apr 17, US would agree to letting Brazil use first and second quarter allocations as quid pro quo with Argentina on condition that 60 cents per pound first quarter and approximately $22\frac{1}{2}$ cents second quarter (exact figure to be cost of Far Eastern rubber landed in Argentina on basis of $22\frac{1}{2}$ cents New York) would be observed by Brazil. A bookkeeping transaction through Rubber Development Corp would be necessary so that technically US would appear as filler of allocation but actual filler for purpose of bilateral negotiation would be Brazil. RDC would buy from Brazil at regular agreement price of 60 cents. Loss on resale of second quarter allocation would thus be borne by US not Brazil. A point that might be used to advantage by Brazil in this negotiation would be the following. Second quarter allocations have been estimated but not finally determined by CRC. Brazil would endeavor to get for Argentina largest second quarter

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21 For text, see telegram 640, March 13, 1942, 7 p.m., to Rio de Janeiro, Foreign Relations, 1942, vol. v, p. 692.
allocation possible. (Probable figure on basis of present information would be 1250 tons; however allocations are based on current industrial capacity using ratio of 50 percent natural 50 percent synthetic, and somewhat higher allocation could be requested if need conclusively established).

Only alternative to foregoing suggestion in view of Dept would be frank tripartite discussion with Argentina, which could probably be best carried out at Rio. Your views on locale are requested. US approach in this discussion would be along following line: Continued shortage of many commodities including both rubber and wheat makes necessary international allocation of these products to assure equitable distribution world supplies. Under allocations fixed by Combined Rubber Committee adequate provision has been made for immediate and growing needs of Argentine industry, amounting to 578 tons crude rubber first quarter, about 1250 tons second quarter; moreover beginning second quarter Argentina would receive benefit of world price for Far Eastern rubber, being approximately 22½ cents per pound for second quarter. Brazil’s need for wheat is no less compelling than Argentina’s for rubber and Brazil’s wheat allocation for first and second quarter of 1946 has been tentatively fixed by Wheat Subcommittee of Combined Food Board at 400,000 tons. Argentina as traditional supplier of Brazilian wheat is named as source for most of the allocation. It is to interest of all countries that allocations worked out fairly for good of all be respected and implemented by countries directly involved. US as source for rubber allocations to Argentina intends fully to discharge its responsibility and see that Argentina’s allocations are met. We in turn are confident that Argentina will promptly and faithfully fill wheat allocations to Brazil and other countries for which it may be indicated as source by Combined Food Board. Failure in execution of allocation program for one commodity would inevitably cause loss of respect for and tend to break down operation of allocations of all other commodities. Without our directly linking the wheat and rubber allocations, the inference should not be lost on Argentina that to continue to benefit under the rubber allocation she would have to perform under the wheat allocation.

At an opportune point in aforementioned discussion US representa- tive should suggest that Tripartite Agreement be terminated by mutual consent as no longer in harmony with situation.

See Gracie at once on foregoing suggestion and report promptly reaction of Brazilian Govt.

Repeated to Embassy Buenos Aires.

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

SECRET

Rio de Janeiro, April 15, 1946—8 p. m.

[Received 9:15 p. m.]

708. ReDepstel 489, April 12, 7 p. m. Rubber and wheat situation discussed with Gracie today. Gracie reiterated request reported in Embtel No. 662 of April 9, 4 p. m. He said that as matters now appeared Brazil would receive far less than the amount of wheat it required, and that with permission to export an additional 1500 tons rubber to Argentina, outside the terms of existing agreements, there would be an opportunity to obtain additional wheat supplies from Argentina. He said he did not want to "quarrel" with the US on this point but that was Brazil's desire and that he regretted it did not seem possible to meet it.

Gracie referred to shortage of tires in Brazil as added reason for permitting additional exports crude rubber to Argentina in view of difficulty in making tire shipments.

Regarding wheat-flour shipments, he pointed out that flour was not adequate substitute for wheat because of high price and also lack of bi-products from milling needed for cattle fodder.

In view of Brazil's desire to maintain 1942 rubber agreement and tripartite agreement and acceptance CRC allocations (seeking only exceptional permission for 1500 tons shipment to Argentina referred to above) Gracie perceived no need for further tripartite discussions.22 Repeated to Buenos Aires.

Daniels

832.24/2-1646

The Secretary of State to the Brazilian Ambassador (Martins)

[WASHINGTON,] April 18, 1946.

EXCELLENCY: I have the honor to refer to your Embassy's note of February 16, 1946 calling attention to circumstances which appear to aggravate difficulties encountered by the Brazilian Government in negotiations with Argentina looking to ensuring adequate imports of wheat and pointing to considerations which suggest the impossibility of compressing consumption by reducing utilization of bread or of lessening dependence upon imports by use of substitute grains.

The matter of the possible weakening of Brazil's bargaining position in its negotiations with Argentina to secure wheat as the result of

22 In telegram 515, April 18, 1946, 2 p. m., the Secretary of State indicated to the Chargé his belief that tripartite discussions offered the best prospects for breaking the deadlock and that Brazil would wish to participate (832.24/4-1546).
shipment of truck tires to the Argentine from the United States is understood to have been the subject of earlier exchanges of the Department with the Brazilian Embassy. The present communication addresses itself to the matter of Brazilian import requirements and available supplies.

The effort being made by the Combined Food Board Cereals Committee to reduce universally import requirements of wheat to a minimum is dictated by the inescapable fact that available export supplies of this important commodity in the first half of 1946 are sufficient to cover only 60 percent of world requirements. The inevitable resultant drastic reductions in consumption in United Nations member countries in Europe, where bread makes up from one-half to two-thirds of the entire calorie intake, has resulted in a total consumption for the average non-farm consumer in many countries of only 1,900 calories and in some of very considerably less. Further drastic reductions now appear inescapable for the critical months immediately ahead in spite of reduction of the basic rations in the American and British occupied zones of Germany to 1,275 and 1,000 calories respectively, with perhaps only 200 or 300 calories in addition from supplementary non-rationed foods.

As a consequence, all grain-importing countries are being urged to make the fullest use of other grains than wheat for human consumption both as an adulterant in bread and in other food preparations. In consonance with this effort, a resolution of the Cereals Committee of the Combined Food Board recommends that secondary grains moving in international trade be used only for human food and that Committee counts imports of such grains against bread-grain requirements. In the case of Brazil, it is suggested that the import requirement in wheat may be somewhat reduced by more extended use of corn both as a part of the bread grist and in other food preparations. This would appear to be a possibility in view of this season’s excellent Brazilian corn crop which is reported to be considerably in excess of normal domestic requirements.

As is already known to you, the rate of import of 400,000 tons of wheat per half year, or about 65,000 tons a month, has tentatively been considered by the Cereals Committee as a reasonable allocation to Brazil as against the stated requirement of 600,000 tons. It has fortunately been possible for the United States to ship 110,000 tons of wheat largely in the form of flour to Brazil during the first quarter of this year. The equivalent of 40,000 tons is also reported to have been furnished by Canada. It is understood, furthermore, that some wheat has moved to Brazil from Argentina during that period, although the exact amount has not been ascertained. Additionally, it is expected that some quantities of flour will be allocated from the United States for use in northern Brazil during the second quarter.
The representative of Argentina on the Cereals Committee of the Combined Food Board has consistently indicated Argentina’s wish to be regarded as the source for the quantities still to be shipped to Brazil during the six months period, in addition to the quantities mentioned above, and since Brazil has historically received most of its wheat from that source, it is felt that this request cannot be ignored. It is the more essential to take account of it and to plan international distribution of wheat on this basis, in view of the fact that present commitments for shipment to other areas do not admit of the assumption by the United States of the primary responsibility for supplying Brazil. Furthermore, the wheat now in sight to meet the schedule of shipments of wheat already made for April covers less than half of the total amount called for.

It is accordingly our hope that arrangements will be effected whereby Argentina will in fact effectively assume the responsibility which she declares to be hers for supplying the needed wheat to Brazil. We are hopeful that internal transportation in Argentina has in so far been restored that greatly increased shipments of wheat from that country can soon take place. It is noted that the total movement during March is reported to have been considerably increased over January and February.

Accept [etc.]

For the Secretary of State:

William L. Clayton

832.24/4-2246: Telegram

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

RESTRICTED RIO DE JANEIRO, April 22, 1946—7 p.m.
[Received 9:20 p.m.]

748. At suggestion of Gracie, Secretary General Foreign Office, tripartite discussions held today between Foreign Office, Argentine Embassy and this Embassy on wheat-rubber negotiations. Foreign Office proposes exchange of notes between Embassy and Foreign Office and at same time between Argentine Embassy and Foreign Office confirming existing understanding as follows:

1. Argentina to supply Brazil for balance of current year 500,000 tons of wheat;
2. Brazil and US to guarantee Argentina immediate delivery 578 tons crude rubber at price of 60 cents and 150 tons butyl synthetic as quota for first quarter this year;
3. Brazil and US promise their full support before rubber committee in order that Argentina may be granted for second quarter a quota of 1250 tons of rubber at price of 22½ cents.

Embassy understands proposed exchange of notes injects no new element into situation as already approved by Dept. Final text of
proposed notes not yet drafted. Is Embassy authorized to proceed with exchange immediately or does Dept first wish to approve final text? 23

\[ Daniels \]

\[882.24/4-2246: Telegram\]

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

WASHINGTON, April 25, 1946—3 p.m.

551. Embtel 743, Apr. 22. In view of tripartite discussions Arg, Braz, and US pending believe time opportune to raise question of cancellation Tripartite Agreement.

Dept feels subject should be raised in such way not to embarrass present discussion, but with successful conclusion of rubber, wheat agreement Arg and Braz might be asked whether any reason exists for further continuation of the Tripartite Agreement. If not, it should be abrogated.

Continuation of agreement requires raising further question whether Braz has objection to US treating Arg on same basis as other countries with respect to new tires.

\[ Acheson \]

\[882.5018/4-2646: Telegram\]

The Consul General in São Paulo (Cross) to the Secretary of State

São Paulo, April 26, 1946—5 p.m.

[Received April 26—3:17 p.m.]

132. Small scale disturbances are recurring, over 50 occurred yesterday. Last night several hundred persons surged through the center of the city attacking a bakery and demonstrating in front of the army headquarters. The movements primarily involve the bread situation, appear to be spontaneous and without open Communist leadership but the opportunity for causing serious trouble is offering a temptation to Communists that they can hardly fail to take advantage of. The authorities are greatly worried and losing prestige.

Actually the bread situation involves rather a change of dietary habit than a serious hardship. Bread using maize flour and of good quality is being produced in ample quantity but the population is finding it difficult to adjust itself to the new texture and flavor.

Repeated to Embassy.

\[ Cross \]

23 The Acting Secretary of State in telegram 546, April 24, 1946, 5 p.m., not printed, approved this arrangement with a modification concerning prices (882.24/4–2246).
The Brazilian Embassy to the Department of State

MEMORANDUM

This Embassy was informed that the Department of Agriculture will allocate to Brazil, during May and June, only 130,000 bags or approximately 8,000 metric tons of wheat flour. Our minimum requirements amount to 30,000 metric tons from May 15 to June 30. We did not receive any substantial quantity of wheat from Argentina and the situation in Brazil is at present critical as far as wheat and wheat flour supplies are concerned.

2. This Embassy was also informed that that quantity of 130,000 bags would be allocated to the Northern part of Brazil. It would meet our needs much more satisfactorily if it were put at the disposal of the “Comissão Nacional do Trigo” in Rio de Janeiro, which will distribute it according to the present and real situation in the country.24

WASHINGTON, May 21, 1946.

800.48/5-2246: Circular telegram

The Secretary of State to Certain Diplomatic and Consular Officers in the American Republics 25

[Extracts 26]

RESTRICTED

WASHINGTON, May 22, 1946—6 p. m.

At President Truman’s request former President Hoover is making a quick tour of Latin America to discuss the various problems of mutual concern facing us in the world-wide famine. Purpose is to discuss ways and means of closer collaboration among the American nations to achieve the greatest possible export of wheat, wheat flour, fats, and other essential foods to areas of most urgent need in order to fulfill our common responsibility to alleviate suffering and starvation. Mission consists of Hoover, Ex-Ambassador Hugh Gibson, Ex-Commerce Julius Klein, D. A. Fitzgerald of Agri, Press Attaché Frank Mason, Maurice Pate of International Red Cross, Capt Westmoreland Military Aide, Capt Rey Medical Aide, and Hugo Meier, Secretary. . . . At each point where length of stop permits Mr. Hoover will wish to confer promptly with Embassy officials concerning

24 In telegram 727, May 31, 1946, the Chargé was advised that wheat shipments to Southern Brazil were discontinued in expectation that Argentina would fill the need (832.61311/5-2446).
25 Sent to the Embassies at Bogotá, Buenos Aires, Caracas, Habana, Lima, Mexico, Montevideo, Panamá, Quito, Rio de Janeiro, and Santiago, and to the Consulates at Pará and Port-of-Spain.
26 Omitted portions concern travel facilities and schedules.
statistics and other pertinent data you may be able to gather from official and other authoritative sources including monthly imports and exports since last July 1 of wheat, wheat flour, corn, other coarse grains, rice, fats and oils, indicating source of imports and destination of exports, also stocks on hand and domestic production. Where possible please secure best estimate on monthly exports and imports to October 1.

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BYRNEs

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832.24/5-2446: Telegram

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

RIO DE JANEIRO, May 24, 1946—6 p.m.
[Received 9:10 p.m.]

972. Exchange notes on rubber, wheat still unconsummated. Argentine representatives contend unable to sign until receipt new instructions necessitated by resignation Sauri. Although expected daily these have not been received.

Brazilian Ambassador Buenos Aires 27 has been instructed by Foreign Office to urge Argentine Government to act promptly in this matter.

Foreign Office has made plain that it does not wish to discuss abrogation tripartite agreement at present juncture. (Department’s telegrams 551, April 25 and 632, May 14). 28 Treatment Argentina same basis other countries for tire licensing has been raised and is under consideration by Foreign Office; unofficial indications are there probably will be no objection but Foreign Office unlikely to so state until after exchange wheat, rubber notes has been effected.

Repeated to Buenos Aires.

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DANIELS

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832.61311/5-2146

The Department of State to the Brazilian Embassy

MEMORANDUM

Reference is made to the Brazilian Embassy’s memorandum of May 21, 1946 calling attention to the fact that Brazil will require a minimum of 80,000 metric tons of wheat for the remainder of the second quarter, and requesting that all grain and flour shipped for

27 João Baptista Lusardo.
28 Latter not printed.
Brazilian account from the United States be placed at the disposal of the Comissão Nacional do Trigo, in order that the Comissão may distribute it within the country as circumstances require.

The requirements placed against the United States have been so heavy in recent months that supplies in this country are extremely short. Many local bakeries have been obliged either to close down or to operate on a part-time basis, and despite the numerous control measures instituted by this Government in an effort to maximize exports, shipments of relief wheat to famine areas are greatly in arrears. Under the circumstances, allotments to countries which are in a position to draw upon other sources of supply have had to be kept at a minimum.

Since the quantities of wheat flour programmed for Brazil out of the United States, 136,000 hundredweight, will not in any event meet more than a small proportion of total Brazilian requirements, this flour was scheduled for North Brazilian destinations in an effort to conserve shipping and minimize cross hauls. The Brazilian Embassy may be assured that its supply position will be kept under constant review and that every effort will be made to see that Brazil receives equitable treatment.

WASHINGTON, June 12, 1946.

832.6584/6-1546

The Ambassador in Brazil (Pawley) to the Chief of the Division of Brazilian Affairs (Braddock)

RESTRICTED

RIO DE JANEIRO, June 15, 1946.

DEAR MR. BRADDOCK: Thank you for your very kind letter of June 10, 1946, in which you in the Division of Brazilian Affairs express confidence in the contribution which you feel that I may make to United States relations with Brazil.

I arrived on Monday as per schedule. I had the pleasure the next day of calling on the Foreign Minister informally and the same afternoon Ambassador Boal and I had tea with the Foreign Minister at his office. I presented credentials on June 13 at 3:00 p.m. and returned to call on the President with Mr. Hoover at 4:00. We spent at least two hours discussing the world famine problem, and I feel that this conference was most satisfactory and helpful.

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29 Not printed.
30 June 10.
31 João Neves da Fontura.
32 Pierre de Lagarde Boal, United States Member, Emergency Advisory Committee for Political Defense.
Mr. Hoover, the members of his party, and I had a meeting yesterday with the Foreign Minister and the principal members of his staff interested in Brazilian food supply and the members of his economic section. We find that Brazil has less than two weeks' wheat supply on hand and the difficulties existing with reference to Brazil furnishing the Argentine with rubber and the $3.50 per bushel which Argentina is endeavoring to charge Brazil for wheat have caused considerable worry in Government circles.

Mr. Hoover and I have gone deeply into this subject and as a result last night we talked to Secretary of Agriculture Anderson and to Mr. Bill Batt. Secretary Anderson was most encouraging with reference to assisting Brazil after September with a supply of wheat, and Mr. Batt agreed to look into the rubber problem immediately in the hopes of breaking the present deadlock which appears to be as follows:

The tripartite agreement between the United States, Brazil and Argentina calling for the sale to Argentina of some 1,700 tons of rubber and for Argentina to supply a substantial quantity of wheat has not been signed by Argentina because it appears that we, the United States, cannot guarantee the supply of rubber but can only agree to recommend that the rubber be allocated, whereas Argentina would be making a definite commitment to Brazil for wheat. We learned that of the approximately 1,700 tons of rubber, 577 tons have been definitely allocated by the Combined Rubber Committee but the balance has not been allocated. This price problem is one in which both Argentina and Brazil alike are somewhat to blame. The United States Government because of the war entered into a contract to purchase rubber at 60 cents a pound and that contract carries on into 1947. Naturally Brazil is extremely anxious to maintain this contract at this favorable price, in spite of the fact that they know that we resell this rubber for approximately 23 cents. Brazil, therefore, wants Argentina to take the rubber at 60 cents, and as Argentina is unwilling to do this, would like for us to take the rubber at 60 cents and supply the rubber through the Combined Rubber Committee in Washington at a price of approximately 23 cents. The Argentine Government, on the other hand, feels that it is being held up by Brazil on the rubber price. In fact, President Perón told Mr. Hoover that this was the case and that therefore they were demanding the higher price for wheat. It appears that the Argentine Government is purchasing the Argentine wheat from the growers at approximately 20 pesos a ton and are selling it to Brazil and elsewhere at 35 pesos a ton, and this embitters the Brazilians. Mr. Hoover has suggested to Mr. Batt that 2,000 or possibly 4,000 tons of rubber in Brazil be released from the United States contract for Brazil

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23 Clinton P. Anderson.
24 William L. Batt, United States Member, Combined Boards, Civilian Production Administration.
to trade or sell to Argentina on any basis that Brazil can secure. I am afraid this would not accomplish the results desired.

I know that you in the Brazilian Division are thoroughly familiar with my attitude with respect to the United States “holding the bag”. I have no desire that the United States continue to be Santa Claus. But wherever we have a bona fide contract, even though it be unfavorable to us, we must carry it out to the letter. At the same time we must be positive that we make no similar contracts in the future. It is my sincere desire and intention to be of maximum service and assistance to the Brazilian Government and to the Brazilian people, but I am sure that they will like and respect us more if that assistance be on a basis of mutual help and mutual consideration.

I am writing at some length on this subject because I am anxious for you to help us to as great an extent as possible. Brazil’s critical period is between now and September. The world food supply will greatly increase then and we wish to help Brazil get by this period without danger to its people or to its Government. Please write me any views you may have on this subject at once.

With kind regards to all of the members of the Brazilian Division,

Sincerely yours,

WILLIAM D. PAWLEY

532.24/6-1346: Telegram

The Acting Secretary of State to the Ambassador in Brazil (Pawley)

SECRET

WASHINGTON, June 15, 1946—2 p.m.

US URGENT

799. Combined Rubber Committee allocated to Argentina 578 long tons natural rubber for first quarter 1946 and 1250 tons for second quarter. US prepared to ship total quantity immediately either from US ports or from Rubber Development Corporation supplies located in Brazil. Under terms of tripartite rubber agreement US unable to ship this rubber until Brazil permits.

Brazil had verbal agreement with Argentina whereby Argentina would ship 50,000 tons wheat per month for remainder of 1946 to Brazil and in return Brazil would permit US to ship allocated rubber to Argentina. Department understands Argentina failed to sign exchange of notes to this effect. Consequently Brazil requested US to stop shipment of rubber. Small amount was already enroute and ships were loading in New York. US ceased loading and deferred further shipment pending Brazilian concurrence as required tripartite agreement.

Dept has repeatedly proposed to Brazil that working arrangements be reached under tripartite agreement which would regularize ship-
ment rubber and rubber products to Argentina or to terminate tripartite agreement. Brazil has been unwilling to discuss either point until wheat deal consummated with Argentina. Embassy requested to continue to press for solution this problem in accordance with previous Departmental instructions.

Tripartite agreement serves no useful purpose in existing circumstances and is a continuous source of irritation.

Cancellation of tripartite agreement or permission from Brazil for US to ship rubber and rubber products to Argentina will result in immediate shipment of such products.

We have for some time questioned appropriateness of use Brazil has made of tripartite agreement and questioned effectiveness this device for procuring wheat. We have, however, felt obliged to operate under its terms so long as Brazil insists.

Acheson

832.24/6–2146: Telegram

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

SECRET

BUENOS AIRES, June 21, 1946—3 p.m.

[Received 5:47 p.m.]

1671. Embassy’s telegram 1512, June 3. Local tire companies have informed Embassy their supply situation critical and if immediate shipments synthetic and natural rubber not made factories will be forced close by September 1. Argentine Government official reports wheat shipments made accordance commitments with Brazil. Brazilians in Buenos Aires are reported to be attributing delays in tire shipments to opposition of US.

Although shipments of 30,000 tires in large measure relieved grain transport problem, Government and tire companies consider that 60,000 passenger car and 12,000 truck tires in addition to domestic production capacity required correct existing transport problems. If possible Embassy recommends allocation these additional units for shipment last 6 months, and in granting export licenses recommend Goodyear and Firestone be given their proportional share.

Deerwester’s statement (Department’s telegram 814, June 14) doubtlessly based undistributed balances of 30,000 units. This situation rapidly clearing up. Truck statement absolutely unfounded.

Messersmith

*Not printed.

*Not printed; in it the Department requested the Embassy’s comment on a report in the Chicago Sun that Argentina had 14,000 tires in storage (840.50-UNRRA/5–2946).
The Chief of the Division of Brazilian Affairs (Braddock) to the Ambassador in Brazil (Pawley)

CONFIDENTIAL

WASHINGTON, June 25, 1946.

DEAR MR. AMBASSADOR: I have discussed your letter of June 15, received yesterday, with the Department's rubber and wheat people. The position, as we see it, is that Argentina is willing to ship wheat in accordance with the arrangement worked out in Rio provided it receives the rubber promised under the same agreement. Of the rubber it can be assured. The first quarter allocation of 578 tons is already under way, part of it actually on the water, and the second quarter allocation will be shipped just as soon as we get information here that Brazil is agreeable to its being sent. We believe it would be to Brazil's interest to authorize the second quarter shipment made without delay, since a third quarter allocation of 2300 tons to be supplied by Great Britain has now been approved by the Combined Rubber Committee and it would be desirable to have the second quarter rubber arrive before that of the third quarter.

May I help clear up this situation in your mind by calling attention to two or three small factual errors that we discovered in your letter. The price of 35 pesos per 100 kilos (not per ton), works out at about $2.85 per bushel (not $3.50), and though high is the same price at which Argentina is offering wheat to other countries. We believe that there has been no question of Brazil's wanting to offer rubber to Argentina at 60 cents, since it is not Brazil but the United States that is providing the first and second quarter allocations to that country. In short, the price disagreement seems to us more illusory than real at the present time, and we hope that a steady supply of wheat will be resumed when it is known that the rubber for Argentina is on its way.

The United States certainly intends to maintain its rubber purchase contract with Brazil until the expiration date in mid-1947. This was a wartime agreement thought necessary to get out a critically needed raw material. We entered into it not through any philanthropic reasons. It is equally certain, in my opinion, that the United States will not entertain any suggestion by the Brazilian Government that we extend this purchase contract once it has expired, and the Brazilians should not be given any encouragement to believe that we will.

At the top of Page 2 of your letter you say that "Secretary Anderson was most encouraging with reference to assisting Brazil after September with a supply of wheat". I do not know how the Secretary phrased his statement, but from the completely negative result
of our insistent efforts to get emergency shipments of wheat for Brazil earlier this year, I am inclined to believe that Brazil should not look to this country for help in meeting its wheat requirements any time soon. The feeling here is rather that it is up to Brazil to arrange for her wheat needs to be met by her traditional supplier, Argentina.

You will have noted that with Argentina’s third quarter allocation of rubber assigned to Great Britain to fill, our old Tripartite Agreement ceases to have any further effect as regards crude rubber. Yet it continues to obstruct our trade in tires with the Argentine, and if we are not to see that market go entirely to tire producers of other countries, we must get rid of that agreement just as soon as possible. Please continue your efforts to have that agreement cancelled.

In closing this letter, I would like to inform you of an error in a recent Departmental telegram to you on this subject which has resulted in embarrassment to the Brazilian Embassy here, and to ask that you do what you can to put the records straight with the Foreign Office. The Department’s telegram 799 of June 15 contained the statement “consequently Brazil requested U.S. to stop shipment of rubber”. There was no request here to stop shipment, but it had been the Department’s understanding that until the agreement was signed, Brazil would not wish the rubber to be shipped, and that unless we had specific authority from the Brazilians, we could not make any shipment without violating the old Tripartite Agreement.

Sincerely yours,

Daniel M. Braddock

832.24/6-2846: Telegram

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

SECRET

WASHINGTON, July 11, 1946—7 p. m.

923. Embtel 1733 June 28.57 Restrictions on shipments first quarter allocation of 578 tons natural rubber already lifted. Dept has repeatedly requested Braz to concur in shipment of 1250 tons second quarter allocation awaiting shipment.

CRC has allocated 2300 tons natural from UK plus 200 tons butyl from Canada for Arg for third quarter. This action proposed and supported by US. These shipments not subject to concurrence Braz under tripartite agreement. Hence should soon allow Arg domestic production to operate near capacity. (Re Embtel 1671 June 21)

57 Not printed.
Question of 60,000 passenger and 12,000 truck tires from US depends on cancellation of tripartite agreement or concurrence Braz in shipment. Estimate of supply for Arg will be established when concurrence obtained if supply permits. OIT prefers not to withhold large contingency reserve to cover possible Arg quota if tripartite agreement is going to prevent licensing during most of third quarter.

Sent to Buenos Aires, rptd to Rio.

Acheson

832.24/7-2346

The Ambassador in Brazil (Pawley) to the Assistant Secretary of State for Economic Affairs (Clayton)

SECRET RIO DE JANEIRO, July 23, 1946. [Received August 5.]

Dear Mr. Secretary: Yesterday I obtained from a very reliable source information to the effect that the Argentine Ambassador here, after a conference with the Foreign Minister, telegraphed his Government that the second quarter allocation of rubber had not been shipped because of difficulties created by the United States Government.

Immediately upon receipt of the Department’s telegram no. 799, June 15, 2 p.m., I conferred with the Foreign Minister stating that the allocation for the second quarter had been made and that he was at liberty to obtain the second quarter shipment from the United States or the rubber could be allocated from Brazilian stocks. The Foreign Minister immediately conferred with the Argentine Ambassador, and it was my understanding that arrangements were reached between them for shipment of this rubber from Brazil. However, we heard nothing further until yesterday.

In various conferences between the Foreign Minister and the Argentine Ambassador during the past weeks, the Argentine Government committed itself verbally to shipment of 50,000 tons of wheat per month through December. The Foreign Minister informed me that the offer was made in glowing terms and with protestations of friendship, and that Argentina expected nothing in return.

The Foreign Minister tells me, however, that before the meeting was over he was informed that Argentina was desperately in need of tires. Therefore, the Foreign Minister felt compelled to offer assistance and committed Brazil to furnish 10,000 tires.

Yesterday the Foreign Minister informed me that the Argentine Ambassador had called on him to say that the Argentine Govern-

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*Gen. Nicolas C. Accame.*
ment cannot furnish more than 30,000 tons of wheat a month, although the Foreign Minister has already had shipped between 6,000 and 7,000 tires. (In addition, we are informed that large quantities of tires are being smuggled over the border.)

When the conference was over, the Argentine Ambassador telegraphed his Foreign Office to the effect that the Brazilian Foreign Minister had stated that the second quarter of rubber had not gone forward because of difficulties imposed by the United States. He further informed his Foreign Office that the Brazilian Foreign Minister was adamant that the Argentine Government live up to its commitment of 50,000 tons of wheat per month.

In my telephone conversation with you several weeks ago, I recommended that Brazil be authorized to sell direct to Argentina through the Combined Rubber Committee the rubber Argentina is seeking, and that Brazil negotiate the best price that can be obtained from Argentina in exchange for a commitment in writing from Argentina to furnish a minimum of 50,000 tons of wheat per month.

Through this process we would be relieved of paying 60 cents for Brazilian rubber that would ultimately reach Argentina after paying freight to the United States and back. Although the Brazilian Government is naturally anxious that we continue to take their rubber at 60 cents and make it available to Argentina at 23½ cents in order that Brazil obtain Argentine wheat, I have pointed out the inequity of the United States being in the middle of this type of transaction and taking this substantial loss for no apparent good reason. The Foreign Minister and others present agreed with my point of view and felt that the Brazilian Government would handle it that way if the United States Government was unwilling to buy at 60 cents and sell it in their behalf at 23½ cents.

I pointed out that the United States Government was subsidizing Brazilian coffee on a very substantial basis and at very great cost to the United States Government, and that it was only reasonable that Brazil should make her rubber available to Argentina at the best price she could get.

I would greatly appreciate your views on this matter.

I agree with your telegram that the tripartite agreement is not effective. We believe that it should be canceled, as we are convinced here that this device for procuring wheat has not been effective.

Sincerely yours,

WILLIAM D. PAWLEY

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29 For documentation on the coffee program, see pp. 504 ff.
The Acting Secretary of State to the Ambassador in Brazil (Pawley)

SECRET

WASHINGTON, August 8, 1946—8 p. m.

1065. Re B.A.’s tel 1959, Aug. 3.1 Department interprets tripartite agreement as not requiring consultation with Brazil on each tire shipment to Argentina. Clearing each request with Brazil delays necessary shipments and hampers US normal commercial relationship with Argentina. Dept and OIT getting irresistible pressure from private trade and Congress on tire restrictions affecting only Argentina.

Tripartite agreement was never intended to withhold rubber and tires from Argentina. Originated to supply Argentina essential rubber needs thereby preventing smuggling.

US repeatedly has requested Brazil’s concurrence in cancelling tripartite agreement. EmbRio requested to continue pressing Brazil for (1) immediate approval for licensing tires to Argentina on same basis as other American republics (2) concurrence in cancelling tripartite agreement soonest with waiver 90-day termination clause.

If such arrangements cannot be finalized within fortnight Dept will consider as matter expediency (subject US supply position and approval OIT) requesting Brazil’s approval for tires mentioned B.A.’s tel 1959. If requested by Brazil, US willing permit Brazil supply part these tires.

Dept not opposed Argentina’s approach to Brazil for cancellation tripartite agreement and shipment tires requested tel 1959. Sent to Rio de Janeiro; repeated to Buenos Aires.

ACHESON

832.24/8–2346: Telegram

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

SECRET

RIO DE JANEIRO, August 23, 1946—8 p. m.

[Received 10:20 p. m.]

1495. Urtel 1959, August 3, noon.1 I have approached Ambassador Gracie twice with reference 60,000 passenger car tires and 12,000 truck tires. Will see him again today on this subject. Believe it undesirable this time to suggest Argentine Ambassador here approach Foreign Office because Brazilian Foreign Office very much upset with Argentine Government failing to fulfill its commitment with reference delivery of wheat.

(Deptel 1065, August 8, 8 p. m.).

Sent to Buenos Aires; repeated to Dept.

PAWLEY

1 Not printed.
WHEAT—RUBBER PROBLEM 147

The Under Secretary of State for Economic Affairs (Clayton) to the Ambassador in Brazil (Pawley)

WASHINGTON, August 23, 1946.

My Dear Mr. Ambassador: With further reference to your letter of July 23, which was acknowledged August 6 in my absence by Mr. Hamilton, I agree very definitely with you that the tripartite agreement should be cancelled as quickly as possible. Under existing conditions, the agreement serves no constructive purpose, and there is naturally a strong desire in the trade and in government to be relieved of the restrictions and delays on the shipment of rubber and rubber products from the United States to Argentina.

Under cover of his letter dated July 30, which apparently crossed with your letter of July 23, Mr. O'Toole transmitted to you a memorandum of July 22 reviewing the rubber problem as it relates to the Argentina-Brazil wheat negotiations. Your attention is invited further to telegrams No. 923 of July 11, 1946 and No. 1065 of August 8 which also set forth the Department's views on this matter.

Contrary to the assertion of the Brazilian Foreign Minister that the second quarter allocation of rubber had not been shipped because of difficulties created by the United States Government, the United States at all times was ready and willing to ship the rubber and only waited concurrence in accordance with Brazil's misconstruction of the tripartite agreement.

The Department and the other agencies concerned arranged for the shipment of the first and second quarter rubber quotas to Argentina in anticipation of the signing of a wheat-rubber agreement between Brazil and Argentina. Upon notification that the agreement had not yet been finalized, the Department requested that the shipments be delayed.

The Brazilian Embassy in Washington advised the Department that since Argentina was sending wheat to Brazil in advance of an agreement, it would be all right to ship the first quarter's allocation of rubber to Argentina; however the Embassy requested that the second quarter rubber be withheld until the negotiations were concluded. Finally about the middle of July the Brazilian Embassy in Washington notified the Department of its approval for shipping the second quarter rubber to Argentina.

The United States is unwilling to purchase rubber from Brazil on the basis of 60 cents per pound, with differentials for lower grades, for resale to Argentina at a lower figure. Also it would not reim-

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42 Not printed.
43 Richard F. O'Toole, Division of Brazilian Affairs.
798-815—69—11
burse Brazil by the difference between 60 cents and any lower price at which Brazil might agree to sell rubber to Argentina.

A discussion of any other terms which the United States would approve for a sale of rubber by Brazil to Argentina is academic for the following reasons:

1. Argentina has full opportunity to purchase in the Far East at 23½ cents per pound all rubber allocated to it by the Combined Rubber Committee. Therefore, Argentina would purchase rubber from Brazil at a higher price only: (a) If rubber obtained from Brazil were not to apply against the CRC allocation, or (b) as an emergency measure pending arrival of rubber allocated from the Far East.

2. As a member of the Combined Rubber Committee and in fairness to all countries receiving allocations through that Committee, the United States would insist that all rubber shipped to Argentina from Brazil be charged against the Argentine quota. Therefore, there would be no net increase in the quantity of rubber received by Argentina and no incentive to that country to offer more than the price at which rubber could be obtained from the Far East. Since Brazil obviously would not be interested in less than the 60 cents per pound obtainable from the United States, it is unlikely that Brazil and Argentina could agree on a contract.

3. As an emergency measure, Argentina probably could obtain permission from the Combined Rubber Committee for an advance of rubber against quantities expected from the Far East. However, the United States, as a member of CRC, would insist that any such advance be applied against Argentina’s allocation. Furthermore, the United Kingdom, also a member of the CRC, probably would indicate a preference that the advance be made from London rather than from Brazil.

If, despite this British preference, rubber were allocated to Argentina from Brazil rather than from London, the United States would insist that the Combined Rubber Committee decrease the Argentine quota and increase the United States quota by an equivalent quantity. The reason is that the original United States allocation was made with the assumption that the United States would receive an estimated quantity of rubber from Brazil. Additional supplies from another source would be required by the United States to compensate for any rubber diverted to Argentina. Since Argentina would have no net increase in the quantity of rubber received, it would be likely to offer Brazil a premium price only if rubber could not be received from any other source in time to prevent a stoppage of the Argentine rubber industry.

For the reasons pointed out above it is believed improbable that Argentina and Brazil will reach an agreement for Brazilian rubber.
However, should such an agreement be reached, it should be made subject to approval by the Department and the Rubber Development Corporation and to concurrence by Combined Rubber Committee. Under present conditions this approval and concurrence probably would be given.

Sincerely yours,  

W. L. CLAYTON

832.24/8-2746: Telegram

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

CONFIDENTIAL  

BUENOS AIRES, August 27, 1946—7 p. m.  
[Received 7:40 p. m.]

2080. Embtel 1959 August 3 and Deptl 1057 August 8. Embassy recommends pending Argentine request rubber tires be approved for immediate shipment without awaiting Brazilian concurrence. Should Brazil resent action reference may be made to Argentine urgent need for items and Brazilian Ambassador’s remarks here to press August 24 blaming inability of Brazil to supply Argentina with rubber on Brazilian-US agreement which called for all Brazilian surplus and placing US in bad light concerning matter.

MESSERSMITH

832.24/9-546: Telegram

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

RESTRICTED  

WASHINGTON, September 5, 1946—7 p. m.

1163. Dept released following to press September 5: “The Department of State has been informed by the American Embassy in Rio de Janeiro that Brazil is willing to approve cancellation of the Tripartite Agreement governing the export of rubber and rubber products to Argentina from the United States and Brazil. Brazil agrees, in advance of a formal exchange of notes among the three countries cancelling the agreement, that the United States may export tires to Argentina.” Release also included brief background on agreement. Release did not mention quantities but Dept separately requested OIT until further notice not to license more than following quantities new and factory reject tires for export Argentina: 12,000 truck, 60,000

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Neither printed.

The Embassy in Buenos Aires was advised in telegram 1226, September 26, 1946, 7 p. m., that Brazil and the United States had exchanged notes cancelling the Tripartite Agreement (832.24/9-2846). Argentina joined in this action on October 1, 1946, according to telegram 2284, October 9, 1946, 5 p. m., from Buenos Aires (832.24/10-846).
passenger. Dept did not take position as to whether these quantities represent Argentina's tire requirements. Of three notes mentioned Deptel 1146 Aug 31 46 important notes US Argentina and US Brazil be exchanged soonest. Emb requested report now when signing expected. Timing of Brazil Arg note obviously outside control US and other two notes are not to be delayed awaiting its signing.

CLAYTON

832.61311/9-1746

Memorandum of Conversation, by the Chief of the Division of Brazilian Affairs (Braddock)

[Extract]

[WASHINGTON,] September 17, 1946.

Participants: Carlos Martins, Ambassador of Brazil
Lt. Dantas of the Servico de Abastecimento
A-Br—Mr. Braden
BA—Mr. Braddock

Wheat. The Ambassador presented Lt. Dantas, an emissary of General Portela, Chief of the Servico de Abastecimento in Rio, who had been sent to this country for the purpose of arranging if possible for immediate emergency shipments of wheat to Brazil. The Ambassador stated that the lack of foodstuffs in Brazil, particularly in the large population centers, was approaching the tragic and that unless some relief could be provided very soon there was danger of a popular uprising against the Government. He pointed out that the Communists would not fail to take advantage of such a situation. He requested that immediate steps be taken to provide for shipment of 20,000 tons of wheat from the United States to Brazil, and that the Brazilian Government be allowed to announce at the earliest possible moment that these shipments were on the way. These emergency shipments would ease the present critical tension, but the long-range wheat supply problem, in which Brazil also desired our help, would persist.

Mr. Braden stated that the failure of Argentina to supply wheat to her normal customers in the Hemisphere had resulted in similar emergency appeals from certain other countries, and said that the State Department would of course do its utmost to get the 20,000 tons for Brazil.

*Not printed.*
Memorandum by Mr. Richard F. O'Toole of the Division of Brazilian Affairs

[WASHINGTON,] September 20, 1946.

WHEAT AND FLOUR FOR BRAZIL

U. S. Deliveries and Commitments, 1946
(Source IR—Durand Smith)

<table>
<thead>
<tr>
<th></th>
<th>Long Tons of Wheat or Wheat Equivalent</th>
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<tbody>
<tr>
<td>January–June 1946</td>
<td>121,900</td>
</tr>
<tr>
<td>July–August 1946 (Authorized)</td>
<td>20,000</td>
</tr>
<tr>
<td>September–October 1946 (Authorized)</td>
<td>52,000</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>193,900</strong></td>
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</tbody>
</table>

No commitment for later periods has yet been made.

Argentine Deliveries and Commitments—1946
(Source IR—Durand Smith)

<table>
<thead>
<tr>
<th></th>
<th>Long Tons of Wheat or Wheat Equivalent</th>
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<tbody>
<tr>
<td>January–March 1946</td>
<td>7,700</td>
</tr>
<tr>
<td>April</td>
<td>2,330</td>
</tr>
<tr>
<td>May</td>
<td>11,700</td>
</tr>
<tr>
<td>June</td>
<td>49,300</td>
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<tr>
<td><strong>Total</strong></td>
<td><strong>71,080</strong></td>
</tr>
</tbody>
</table>

July–August figures incomplete and no information on future commitments.

Stock Position and Requirements of Brazil, on Minimum Requirements Basis.

Brazil has no stocks of wheat or flour beyond current arrivals which are far below minimum requirements. Prior to the commencement of the current wheat shortage Brazil imported about 90 percent of her requirements from Argentina, and a relatively small amount of flour from the United States for consumption in her northern cities.

Brazilian imports on flour and wheat for the first six months of 1946, compared with figures for the same period of 1945, point up, in striking form, the drastic reduction in her current supply:

<table>
<thead>
<tr>
<th></th>
<th>Imports of Wheat and Wheat Equivalent in Long Tons</th>
<th>Monthly Average</th>
</tr>
</thead>
<tbody>
<tr>
<td>1945, January–June</td>
<td>690,534</td>
<td>115,090</td>
</tr>
<tr>
<td>1946, “</td>
<td>192,930</td>
<td>32,153</td>
</tr>
</tbody>
</table>

1946 Reduction in Monthly Average, 72.06 percent.
Rio's telegram 1233 of 7/9/36[46] states that Brazilian imports of flour and wheat for the first half of 1946 are off 60 percent from the same period of 1945.

Brazil's wheat production for the crop harvested in December 1945 and January 1946 was estimated at 90,000 metric tons (80,358 long tons) compared with an average of 123,000 metric tons for the years 1938-1943.

Up to October 1945, when Argentina cut off wheat shipments to Brazil, the latter's monthly imports of Argentine wheat were 100,000 tons.

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832.6131/10-446: Telegram

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

WASHINGTON, October 4, 1946—7 p. m.

1296. Arrangements made for fourth quarter allocation 120,000 long tons wheat and wheat equivalent for Brazil in addition to 8,000 long tons wheat and 52,000 tons flour (wheat equivalent) previously allocated for Sep-Oct. Arrange suitable publicity.

ACHESON

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832.6131/10-846: Telegram

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

RESTRICTED

RIO DE JANEIRO, October 8, 1946—6 p. m.

[Received 6:38 p. m.]

1731. Wheat and flour allocations designated Department's telegram No. 1296, October 4, 1946 inadequate to meet emergency. Accumulative effect continued bread shortages plus increased meat and milk shortages accelerated by dry season makes October, November and December critical months. Reference Embassy's 1729, October 7, 1946,[48] 70,000 metric tons wheat per month from United States or Canada considered minimum required to meet impending situation. There is no evidence any wheat forthcoming from Argentina next months to relieve situation. Publicity being withheld pending your reply.

Daniels

*[48] Not printed.*
The Acting Secretary of State to the Chargé in Brazil (Daniels)

WASHINGTON, October 9, 1946—7 p. m.

1313. Embtel 1731 Oct 8. We are actively exploring with Agriculture possibility increasing Oct to Dec allocations wheat and flour for Brazil to 70,000 tons per month but no assurances this possible. US made special effort behalf Brazil in allocating 120,000 tons for last quarter bringing total quantities for shipment that period to 180,000 as communicated to you in Deptel 1296 Oct 4. Those allocations generous in light of world demands on US wheat supply and more than Brazil could reasonably have expected. Dept of opinion that publicity regarding allocations already made would increase goodwill toward US and would also be helpful to Braz Govt in quieting popular unrest resulting from food shortage. Amb Pawley 49 agrees.

ACHESON

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

WASHINGTON, October 15, 1946—5 p. m. U.S. URGENT

1345. Urtel 1760, Oct 14, 1946. 50 Dept expects issue brief press release covering fourth quarter wheat allocation for four American Republics including Brazil's 120,000 tons. Hence immediate publicity recommended by Ambassador Pawley imperative. Persistent efforts obtain further 30,000 tons this quarter will continue but too early for decision in connection which remind you Maritime strike preventing shipment allocations already confirmed Deptel 1296, Oct 4, 1946.

ACHESON

49 The Ambassador was in Washington for consultation from September 1 to December 12, 1946.
50 Not printed.
INTEREST OF THE UNITED STATES IN THE PROBLEMS OF THE INTER-AMERICAN COFFEE BOARD

811.5017/2-146: Telegram

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

RESTRICTED

Bogotá, February 1, 1946—2 p. m.

[Received February 2—12:07 a. m.]

108. Press reports from US during the past few weeks on coffee situation have indicated that subsidy will probably be discontinued as soon as the six million bags have been purchased and shipped and that there will probably be no immediate rise or abandonment by OPA of present coffee ceiling prices. The resentment and dissatisfaction that is developing in Colombia over this prospect is so widespread and is so thoroughly permeating Colombian attitudes and thinking that if realized, it cannot fail to have a very disturbing effect on Colombian-American relations.

I believe that it has now become essential for maintenance of good relations that there should be a prompt modification in the coffee price policy of OPA. The old arguments are no longer valid here. The Colombian public was previously made to understand that coffee ceilings had to be maintained to prevent general and ruinous inflation in US, that once the roof was lifted there would be no way to hold the inflationary spiral. Yet for weeks the press has been feeding its readers with accounts of authorized or projected price and wage increases in US until they have become convinced that coffee is one of few products that OPA inflexibly refuses to release. In view of other known price advances, no reason can be seen here why coffee prices cannot be increased also without necessarily endangering OPA's entire program.

The continuation of an inflexible policy as applied to an imported produce such as green coffee will increasingly be considered here as an abuse of good-neighbor policy and of the particularly close and friendly relations between Colombia and US. Colombia is in great need of materials, equipment and machinery from US but is now faced with unpleasant prospect of paying more for these purchases while being denied a better price for its principal export product. This

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1 Continued from Foreign Relations, 1945, vol. ix, pp. 351–364. For discussions with Brazil in 1946 regarding coffee, see post, pp. 504 ff.
situation is rapidly becoming intolerable to business men and coffee producers alike.

The interests of US in expanding export markets and world trade and in eliminating trade barriers are certainly being prejudiced by, and appear to be entirely inconsistent with, the continuation of previously established price ceilings on coffee especially now that relaxation is occurring on so many other items.

It may be expected that if present subsidies are withdrawn and there is no increase or removal of ceilings that much of the good will that has developed in Colombia for US will be lost and that this market for US export merchandise will become more vulnerable to competition from other exporting countries.

As seen from here, it would be preferable if ceilings were now removed entirely providing producing countries would not artificially obstruct exports or sales to the US. Otherwise, either the continuation of subsidies or an increase in the present ceilings is imperative.

Repeated to Rio de Janeiro.

WILEY

811.5017/2-2846

Memorandum of Conversation, by the Associate Chief of the International Resources Division (Cale)


Participants: Mr. Chester Bowles, Director, Office of Economic Stabilization
Mr. Walter Salant, Office of Economic Stabilization
Mr. Brainerd Currie, Office of Economic Stabilization
Dr. Emilio Toro, Colombian Delegate, Inter-American Coffee Board
Dr. Enrique López-Herrarte, Guatemalan Delegate, Inter-American Coffee Board
Mr. Cale, IR

Mr. Cale stated that coffee production in the other American Republics is customarily characterized by very low wages and that the position of the coffee producer and the coffee laborer has deteriorated considerably since coffee price ceilings were established in December 1941 by the Office of Price Administration. He also said the cost of living in the coffee producing countries had increased to a very substantial extent since coffee price ceilings were frozen in 1941. In response to a question from Mr. Bowles as to the extent to which cost of living had increased, Mr. Cale replied that according to a recent
study made in Bogotá, Colombia, living costs have increased from 100 in 1941 to 170 in June 1945 and that they had continued to rise since the later date. Dr. Toro added that the latest cost of living index figure for Bogotá which he had received was 196. Mr. Cale stated that with such increases of cost of production and cost of living since coffee price ceilings were frozen it is easy to understand that the coffee producers are up against a very difficult situation.

Mr. Cale called attention to the fact that no price action at all in respect to coffee had been taken up until last November, at which time a subsidy of 3 cents per pound was placed in effect for the period ending March 31, 1946. He said that virtually all the coffee under this subsidy had now been purchased for approximately a month and that sales since that time had been at an almost complete standstill. In response to a question from Mr. Currie as to whether or not any coffee had recently been purchased at non-subsidized prices, Mr. Cale, Dr. Toro and Dr. López replied in the negative and expressed the view that no coffee would be so purchased. Mr. Cale stated that in view of the foregoing it was obvious that prompt price action with respect to coffee is necessary not only in the interest of coffee producing countries, but of maintaining supplies in this country. He referred to the supply situation in the United States at the time the subsidy was announced last November and said he believed it would be generally conceded that it would be extremely unwise to permit such a situation to develop again. Mr. Bowles concurred.

Mr. Cale said that of the various possible lines of action that might be taken with respect to prices, the coffee producing countries would prefer to see coffee price ceilings suspended. He pointed out that under this solution price would be determined by the normal forces of supply and demand. In this connection he stated that he felt, on the basis of the best estimates he had been able to obtain, that the amount of coffee produced in the world during the next twelve month period will exceed world requirements at present prices by perhaps 2 to 2½ million bags and that there is, therefore, no world shortage of coffee. He said that there was some shortage of mild coffee and that he believed if ceiling prices were removed they would increase to some extent over present subsidized levels in the producing countries but that he was not at all sure prices of Brazilian coffee would rise to any extent over present levels and that such increase as occurred in the prices of mild coffee would largely be in the nature of adjustments of the prices of the various types of coffee to each other.

Mr. Cale stated that because of greatly increased production costs in the producing countries ceiling prices in this country based on the cost of producing coffee at the present time would require a very substantial increase above present levels. He said that the Colombian
study to which he had referred earlier indicated that coffee in a num-
ber of provinces in Colombia is now being produced at a loss. Dr.
Toro called attention to the fact that this loss was being sustained not-
withstanding the exceedingly low level of wages now being paid in
Colombia. He said that the average family in Colombia consists of
seven persons and that average family income for coffee producers
amounts to between 12 and 14 dollars per month. Mr. Cale stated that
with such low wages and such increased costs of production it would
perhaps be impossible to set a coffee price ceiling in this country which
would seem reasonable to the coffee producers. On the other hand, he
said the statistical situation with respect to coffee is such, as he had
indicated above, that no sustained substantial increase in average coffee
prices would be likely to occur if coffee ceilings were suspended. From
the viewpoint of Inter-American relations, therefore, the most desir-
able solution of the coffee price problem appeared to be suspension of
the ceilings. Mr. Bowles inquired how it was going to be possible for
him to suspend coffee price ceilings and impose a ceiling on the price
of American cotton. He stated that the Office of Price Administra-
tion had already announced its intention of placing a ceiling price on
cotton although he was not certain that the Agency would be able to
go through with the action in the face of Congressional opposition.
He also pointed out that there is considerable sentiment for the re-
moval of ceiling prices for agricultural products generally. For this
reason, he said, it will not be possible for him to suspend price ceilings
on coffee if he expects to continue to control the price of domestically
produced agricultural commodities.

Mr. Cale replied that in this event the coffee producing countries
would like to see the ceilings on coffee fixed in accordance with the
principles used in pricing domestically produced agricultural com-
modities. In this connection he pointed out that prices generally in
the coffee producing countries have not been as well controlled as in the
United States and that the costs of coffee production have, therefore,
undoubtedly been increased to a greater extent than the cost of produc-
ing agricultural products in the United States. One of the difficulties,
he said, that members of the Coffee Board have faced in explaining
United States policy concerning coffee prices to the coffee growers has
been the fact that coffee has not been priced in accordance with the
principles followed in pricing commodities produced in the United
States. Dr. López and Dr. Toro stated that the political consequences
of continuing to set ceilings on coffee in an arbitrary manner are likely
to be bad and urged that coffee be accorded treatment similar to that
given to United States agricultural commodities. Mr. Bowles pointed
out that this would involve a considerable increase in coffee prices.
He said that recently, in testifying before Congress on the bill to renew the price control act, he had indicated in no unmistakable terms that the line would be held on foods and rents. This action he justified on the ground that it is necessary to convince Congress and the people that a large measure of stability will be maintained under the price control program. He said that any action in respect of coffee would have to be taken against this background.

Dr. López stated that he felt that the only factor given consideration in the establishment of the subsidy was the necessity to obtain supplies. He said no consideration was given to increased costs of production in the coffee producing countries or to transportation difficulties which such countries are now facing. The subsidy, he stated, has placed these countries in a very difficult squeeze, especially in view of their shortage of transportation facilities and the opportunity which the limited subsidy period has given owners and operators of such equipment to raise their rates to coffee shippers.

Drs. López and Toro also pointed out that the recent increase in freight rates on products going to the coffee producing countries had adversely affected the countries by increasing their costs of producing coffee. Mr. Bowles expressed the opinion that such action should have been cleared by his office before it went into effect.

Mr. Bowles said that at the time the subsidy was established, he felt the food situation would become much easier in a very few months and it would therefore be possible to remove a large number of agricultural products from price control by the present time. Instead the food situation has gotten tighter and it is critically necessary to maintain price ceilings on agricultural commodities. He pointed out that ceilings had been removed on oranges since the crop was one of the largest in history and it was therefore felt that there was no danger of a price increase. Actually, prices went up to a very marked degree and the ceilings had to be reimposed. On the basis of the present supply of cotton there appears to be no reason why cotton prices should continue to increase, but they are doing so nevertheless. Speculation appears to be in the air. As long as the public thinks prices are going up, and as long as traders are willing to bet on further increases, it will be necessary to retain controls even though the supply situation in respect to individual commodities may not appear to be tight. Coffee will have to continue to be subjected to controls just as will other important agricultural commodities.

Mr. Cale stated that the coffee producers would favor a price increase to an equivalent subsidy on coffee. Mr. Bowles replied that American farmers are in the same position and indicated that a subsidy is more likely than a price increase, in view of the stand he has taken.
to the effect that the food price line will be held. Mr. Bowles indicated that the coffee price problem had not recently been taken up with his office by either the Department of Agriculture or the Office of Price Administration, and indicated that he would like to have recommendations not only from these agencies but from the State Department as well before taking action. Mr. Cale said that the State Department had written to the Office of Price Administration concerning the matter several weeks ago and that a copy of that letter had been sent to the Stabilization Administrator. Mr. Bowles stated that since the question has been raised he will get to work on it promptly. Members of the Committee thanked him for giving them an opportunity to present the case of the coffee producing countries to him.

As the meeting was breaking up Mr. Bowles expressed the view that it was very important to the coffee producing countries that the stabilization program in the United States should not "blow up". Drs. Toro and López agreed that the coffee producing countries had a large stake in the maintenance of economic stability in the United States.

561.333D3/3–1146; Circular telegram

The Secretary of State to Diplomatic Representatives in Certain American Republics²

WASHINGTON, March 11, 1946—8 p. m.

U.S. URGENT

Baker, OPA deputy administrator, met March 11 with Inter-American Coffee Board. He stated no decision yet reached on coffee price matter but said he was authorized to suggest following proposal: continuation subsidy 3 cents a pound for 6 to 8 million bags to be imported here by June 30.

Coffee Board was asked for its reactions and will meet again March 14 to transmit opinions to OPA. No final decision will be made on coffee until after Coffee Board’s views are known.

Coffee delegates appeared ready to go along with proposal as stopgap measure but are most anxious for more permanent type solution coffee price problem to be worked out before June 30.

Baker made clear that there is no present thought of elimination of coffee ceiling prices.

This info not distributed to press here but Embassy should feel free to use it in any appropriate manner.

BYRNEs

²Not sent to Argentina, Bolivia, Chile, Panama, Paraguay, and Uruguay.
Continuation of coffee subsidy of 3 cents a pound will be announced by Bowles evening March 19. New subsidy, effective immediately, will be paid by RFC to importers on maximum of 7,500,000 bags of green coffee to be entered through customs into continental US by June 30, 1946. This is in addition to 6,000,000 bags of subsidy announced November 17, 1945. This means that buying price ceilings on green coffee in foreign countries by American importers will be continued at 3 cents a pound above the levels set by OPA in December 1941. No increase will take place in either green or roasted coffee ceilings in this country. New program based on continued necessity for holding food prices in line and need to break paralysis of coffee market.

Continuation of subsidy will allow those delayed for one reason or another from fully participating in first subsidy to benefit, since Directive 87 is amended to increase quantity from 6,000,000 to 13,-500,000 bags to be imported by June 30.

Half million bags of new quantity will be set aside as reserve to be used to take care of hardship cases among roasters some of whom complain of inability to import or otherwise purchase green coffee during first subsidy period.

To ensure equitable domestic distribution, Agriculture will issue inventory control order immediately.

Inter-American Coffee Board did not regard subsidy plan (Desp-obitel March 11 *) as satisfactory solution and producing countries reaffirmed their point of view to OPA on March 15 that elimination of all restrictions is only solution. However, under present unusual circumstances they recognized that US may be unable immediately to meet desires of producing countries.

The Coffee Board wishes to begin negotiations with US Govt. in effort to find long-term solution to coffee problem which may take effect after June 30. Such negotiations will be started immediately but it is hoped that they will not result in withholding by producing countries on chance of getting higher prices after June 30. Such negotiations would be most difficult if they were conducted under adverse supply conditions in this country.

* Not sent to Argentina, Bolivia, Chile, Panama, Paraguay, and Uruguay.

* Supra.
The facts in the above paragraph should be used discreetly by Embassy but it is believed do provide an answer to charge that this Govt. is thinking only of its own interests in deciding upon a continued subsidy costing it $30,000,000.

Airgram follows with complete text subsidy press release.\footnote{5}

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BYRNES
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811.5017/5-2346
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\textit{Memorandum by the Assistant Secretary of State for the American Republics (Braden) and the Ambassador to Brazil (Pawley) to President Truman}\footnote{6}

\[WASHINGTON.\]

Coffee is the main cash crop of a number of the American republics, including Brazil and Colombia, and the key to their economy. Coffee ceilings in the United States have been frozen since the beginning of the war. A three-cent subsidy was established last November and will expire June 30.

Costs of living and of coffee production have greatly increased in the producing countries, and these countries have repeatedly appealed to the United States Government for relief, asking that their product be treated on terms no less favorable than those accorded to domestic agricultural products. Prices of the latter have advanced an average of 40 percent since December 1941.

The coffee ceiling prices have become the greatest single irritant in our relations with the coffee producing countries. A way should be found of relieving the situation. The three-cent subsidy has not been sufficient, nor would a three-cent increase in the ceiling. A further increase is believed to be necessary in the interest of our foreign relations, unless the supply situation is found, on study by the Office of Price Administration, the Department of Agriculture, and the Department of State to justify a removal or suspension of the coffee ceilings entirely.

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811.5017/6-746
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\textit{The Secretary of State to the Director of the Office of Economic Stabilization (Bowles)}

\[WASHINGTON, June 7, 1946.\]

\textbf{My Dear Mr. Bowles:} I understand that the Office of Price Administration is recommending to you that the increase in the green coffee price ceilings, which it is suggested should take the place of

\footnote{5}{The text of the statement on the coffee subsidy released on March 19 by the Office of Economic Stabilization was transmitted in an airgram of March 21 to the diplomatic representatives addressed in this circular telegram of March 19.}

\footnote{6}{Delivered undated to the President by Assistant Secretary Braden and Ambassador Pawley on May 23, 1946.}
the present coffee subsidy, should be limited to approximately three cents per pound. I am certain that acceptance of this recommendation would be a serious mistake for the following reasons:

1. Treatment accorded coffee in respect of price control is much less favorable than that accorded domestically-produced agricultural commodities, even after allowance is made for the present subsidy of three cents per pound. Since coffee prices were frozen in December 1941, domestically-produced agricultural commodities have increased by approximately 40 percent. Furthermore, if it were impossible to impose a ceiling on coffee, as it is on domestically-produced agricultural commodities, until the price of coffee bore the same relationship to the prices of industrial commodities produced in the United States that it did in the base period 1910–14, the ceiling price on Santos 4 coffee would have to be at least nine cents a pound above the present ceiling of 13 3/8 cents. The coffee producing countries are fully aware of the difference in treatment as between their product and the agricultural products produced in the United States.

2. Representatives of the coffee producing countries are convinced that there is at least an implied commitment to accord more favorable treatment to coffee by the time the present coffee subsidy is terminated. At the time the subsidy was first announced in November 1945, there was no recognition that the increased returns to coffee growers provided by the subsidy might be justified by increased costs of production or by an altered supply-demand position with respect to coffee. In fact, an attempt was made at that time to convince the coffee producers that the outlook was such that they would be fortunate to continue receiving even the nonsubsidized price after March 1946. It became necessary for supply reasons to extend the subsidy beyond March 1946, however, and when the extension was discussed with the Inter-American Coffee Board by the representatives of the OPA, it was presented as a temporary measure. It was stated furthermore that the Office was agreeable to entering into negotiations with the Board with a view to working out a longer-term arrangement with respect to coffee. Whatever this may have meant to representatives of the United States Government, it meant to the representatives of the coffee producing countries that the returns to the coffee growers would be increased considerably above the level of the subsidy. That this was a reasonable interpretation is suggested by the facts that the increase provided by the subsidy was generally known to be unsatisfactory to the coffee growers, that the extended subsidy was presented as a temporary expedient, and that the offer to negotiate a longer-term solution implied that concessions might be made to the viewpoint of the representatives of the coffee producing countries.

3. In view of the foregoing, continuation of approximately the same level of returns as that provided under the subsidy would lead to widespread resentment and very probably to a general withholding of supplies. Representatives of the coffee producing countries have shown upon numerous occasions recently a growing belief that the only condition under which they can expect to receive more favorable treatment for coffee is one of short supply. They are at present in a position to force the issue. It is, of course, desirable that any
necessary adjustment in coffee prices not be brought about in this manner.

4. The statistical situation with respect to coffee has altered so drastically in the last ten to fifteen years that a much higher level of coffee prices would have developed in the absence of the war and of price control. A recent comprehensive and very detailed report from our Embassy in Brazil estimates that the number of coffee trees in Brazil is now more than 800,000,000 less than it was in 1934 and forecasts that it is likely to be less by a billion in 15 years than at present. If this estimate and forecast are accurate, the number of coffee trees in Brazil by 1960 would be only approximately one-third the number that were there in 1934. The effect of a change of this magnitude in the country which has customarily produced more than 60 percent of the world's coffee is obvious. Already the coffee carry-over in Brazil has been reduced to low and very manageable proportions.

5. By all odds the most serious single irritant in our relations with the coffee producing countries is the problem of coffee prices. In the considered judgment of this Department, an increase in the present ceiling prices of only three cents a pound when the coffee producing countries expect and feel that they are entitled to a larger increase would lead to further serious deterioration in our relations with such countries.

I believe that the only action which would be certain to correct all the difficulties now interfering with normal trade in coffee would be suspension or elimination of the coffee price ceilings. Only in this way could it be fully assured that coffee will be supplied in adequate volume, that the normal price differentials between the various grades of coffee will be re-established, that present practices of upgrading will be eliminated, and that the lower-priced blends of coffee will reappear on the American market.

If green coffee price ceilings cannot be suspended at this time, however, I recommend that they be increased on the average by approximately five cents per pound. Following are some of the reasons for selecting the five cents figure:

1. This amount of increase has been requested by the Price Committee of the Inter-American Coffee Board and would still probably be acceptable to the governments of the coffee producing countries and to the coffee growers even though the request was made many months ago.

2. The Brazilian Government has recently indicated that an increase of five cents a pound would be acceptable to Brazil.

3. An increase of approximately two cents a pound above the present subsidy of three cents a pound would appear to be necessary in order to legalize a large part of the business which is now taking place.

4. If, as seems probable, the Brazilian Government should not subsidize the exportation of the 1946-47 Brazilian crop, as it has subsidized the 1945-46 crop, an increase of approximately five cents per pound in coffee price ceilings would be required to prevent a reduction in the price even on that portion of the trade in Brazilian coffee which is at present being conducted on a legitimate basis.
I also recommend that an attempt be made to obtain commitments from the governments of the coffee producing countries in exchange for the proposed action. These commitments might be in the form of an agreement not to increase their minimum prices or taxes on coffee for a specified period, and to take other action to assure the free sale of coffee at the new prices. In addition, I suggest that if new ceiling prices are established for coffee, a vigorous enforcement campaign be instituted to seek out and prosecute those of our importers who may violate the new ceilings. This would appear to be essential if the illegal practices which are reported to be common at the present time are to be avoided even at the new level.

If you are agreeable to these suggestions, this Department would be glad to cooperate in any way possible in helping to put them into effect.

I am sending copies of this letter to the Secretary of Agriculture, the Administrator of the Office of Price Administration, and the Director of the Office of War Mobilization and Reconversion.

Sincerely yours,

JAMES F. BYRNES

561.333D3/7-246

Minutes of Meeting of the Inter-American Coffee Board, by the Chairman of the Board (Cale)

[WASHINGTON,] July 2, 1946.

The Inter-American Coffee Board met at its offices at 2400 Sixteenth Street, N. W., at 10:30 a. m., July 2, 1946 and considered the following matters:

3. Prices. The Chairman outlined the developments leading up to the announcement on June 26 of the increase in coffee ceiling prices of two cents per pound.1 He indicated that the Price Committee of the Board had met on May 22 with Mr. Chester Bowles, the Director of Economic Stabilization, but that negotiations following that date had taken place very largely within the United States Government, itself. The State Department, he said, had taken a very active interest in these discussions and had urged more favorable price treatment for coffee. The proposal for suspension of coffee price ceilings, which had been supported by the Price Committee and the Department of State, was rejected by the stabilization agencies when it became apparent that the governments of the mild coffee producing

1In a circular telegram of August 14, 1946, the Secretary of State advised diplomatic representatives of certain American Republics that price ceilings of green coffee had increased 8.32 cents a pound over the level of December 27, 1941 (561.333D3/7-246).
countries did not have enough stocks of coffee to give a guarantee of sufficient size to prevent a rather marked increase in mild coffee prices in the event of the suspension of ceilings. The question of whether the increase should be on a percentage basis or a cents per pound basis was considered, he stated, but the percentage increase method was abandoned largely because the government of the country producing the largest quantity of mild coffee took the position that it was willing to make commitments only in exchange for complete suspension of ceilings and because the stabilization agencies felt as indicated above, that this was impossible.

Mr. Cale called attention to the fact that the Memorandum of Understanding between Brazil and the United States regarding coffee prices and supplies, which was announced at the time of the price increase, assured to all coffee producing countries that the prices would not be reduced below the new level. The increase which applies to all coffees will be permanent in view of the provision in the Memorandum of Understanding that corresponding adjustments in coffee price ceilings will be made if the subsidy of three cents per pound on coffee is withdrawn in whole or in part.

Following this outline of coffee price developments by the Chairman, representatives of some of the mild coffee producing countries expressed disappointment that the price increase had not been on a percentage basis but appeared to be rather well reconciled to the cents per pound basis which was adopted.

The Chairman indicated that the President's veto of the bill extending the OPA left the whole coffee price situation uncertain until such time as Congress may take further action on the question of price control.

Edward G. Cale

561.333D3/9-546: Telegram
The Acting Secretary of State to the Ambassador in Brazil (Pawley)

CONFIDENTIAL
WASHINGTON, September 5, 1946—7 P. M.

1190. After agreeing to cooperate fully in world coffee study now being undertaken by Inter-Amer Coffee Board (1) through furnishing of basic coffee data requested by Board directly from DNC and (2) providing services of Brazil expert in actual preparation of study here, Brazil has failed to carry out this cooperation in either respect. Without Brazil assistance, particularly in furnishing of basic data, coffee study either cannot be completed at all or if completed will

* For a synopsis of the Memorandum, see telegram 888, June 29, to Rio de Janeiro, p. 518.
lack authority which it is intended to have. Main reason US favors
extension Inter-Amer Coffee Agreement for 1 year is completion
this study.

Please impress this situation on appropriate authorities and ascer-
tain (1) whether Brazil intends to sign protocol for 1 year extension
Agreement from Oct 1 and (2) whether Brazil intends provide neces-
sary cooperation in coffee study.9

CLAYTON

561.333D8/10-146

Minutes of Meeting of the Inter-American Coffee Board, by the
Chairman of the Board (Cale)

[Extract]

[WASHINGTON,] October 1, 1946.

The Inter-American Coffee Board met at its offices at 2400 Sixteenth
Street, N.W., at 10:30 a. m., October 1, 1946, and considered the fol-
lowing matters:

5. Prices. The Guatemalan Delegate, Mr. López-Herrarte, ex-
pressed his feeling that the Board should go on record as supporting
the action being taken by the U.S. Coffee Industry in their efforts to
decontrol coffee prices. The Brazilian Alternate Delegate, Mr.
Penteado, agreed that this should be done and stated that the evils
which have been in existence during the past have developed again
despite the new price ceilings announced by the U.S. Government.
These evils are up-grading and short-weighting. He said that the
psychological effect of the ceilings on coffee is to create a feeling of
short supply while actually coffee production is more than sufficient
to supply the American and the small European demand. Mr. Brad-
dock advised that the State Department had formerly favored decon-
trol, but that with the new price ceilings the Department did not have
the same argument for decontrol as in the past. Mr. López-Herrarte,
however, insisted that the Board request Mr. Cale, as Chairman of the
Board and not as a member of the Department, be given the decontrol
problem. It was suggested that he find out in what way the Board can
help as an international organization to bring about the decontrol of
coffee prices. The Board agreed to leave the matter of price decontrol
entirely in the hands of the Chairman of the Board.

EDWARD G. CALE

9 The inquiry by the Acting Secretary was repeated in telegram 1226, September
17, 1946, 4 p.m. (561.333D8/9-546). The agreement was signed by Brazil,
along with other countries, and dated as of October 1, 1946. For text, see De-
partment of State Treaties and Other International Acts Series No. 1605.
Decontrol of green and roasted coffee at all levels of distribution was announced today by the Office of Price Administration.

Effective October 17, 1946, this action complies with a provision of the new price control act which requires decontrol of any commodity when supply equals demand.

Today's action marks the granting of the first formal petition for decontrol filed by an OPA industrial advisory committee. The petitioner was the Coffee Industry Advisory Committee.

The price control law requires OPA to take action within 15 days after accepting the petition. Today's action is taken ten days after the decontrol petition was filed.

The price agency said it was basing its decision on data presented by the industry and obtained by OPA as well, indicating that supply and demand were approximately in balance.

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The Chairman of the Inter-American Coffee Board, Mr. Edward G. Cale, announced today that the 15 countries who were signatory to the original Inter-American Coffee Agreement had signed the Protocol for the extension of the Agreement for one year from October 1, 1946. The Protocol extends the Agreement in a form similar to the extension for one year from October 1, 1945. Therefore, the quotas, which were in effect until October 1, 1945 remain inoperative. The Coffee Board will complete by March 31, 1947 an analysis of the world coffee situation which was initiated during the year ending September 30, 1946.

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10 Department of State Treaties and Other International Acts Series No. 1605.
COOPERATION OF THE UNITED STATES WITH OTHER GOVERNMENTS IN THE CONSTRUCTION OF THE INTER-AMERICAN HIGHWAY AND RAMA ROAD

Memorandum by the Chief of the Division of Caribbean and Central American Affairs (Cochran)

[Extracts]

[WASHINGTON,] January 26, 1946.

Subject: Trip of Congressional Party Over Inter-American Highway

While we discussed this matter, it occurs to me that it might be helpful to you to have a memorandum with regard to the approaching trip over the Inter-American Highway of representatives of the Senate and House Roads Committees.

. . . It seems to me that the Foreign Service officer who goes along will have two important functions, as follows:

(1) He should miss no opportunity to emphasize that neither the Department of State nor PRA had anything to do with the Army's Pioneer Highway venture. The Army decided that this was a war-essential measure. When War so notified State, we negotiated the agreements permitting their operation. There our responsibility stopped. We had nothing to do with the selection of route, (which does not always follow the Inter-American Highway line), with the

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1 For previous related documentation on this subject, see Foreign Relations, 1944, vol. viii, pp. 187 ff.
2 Addressed to the Assistant Chiefs of the Division of Caribbean and Central American Affairs (Barber and Newbegin).
3 The Committee on Roads, House of Representatives (Chairman, J. W. Robinson, of Utah), Inspected the highway in February and March 1946; its report of December 18, 1946 noted an implied promise by the United States to complete the road and recommended that completion be financed by the United States in cooperation with the Central American Republics (The Inter-American Highway: Interim Report from the Committee on Roads, House of Representatives, Pursuant to H. Res. 255 . . . December 18, 1946).
4 The Senate Special Committee To Investigate the National Defense Program (Chairman, James M. Mead, of New York) inspected the highway in August 1946; for report on the Inter-American Highway submitted by Senator Homer Ferguson of Michigan to Congress on July 7, 1947, see U.S. 80th Cong., 1st sess., Senate Report No. 440; for discussion of the report in the Senate on July 7, see the Congressional Record, vol. 93, pt. 7, pp. 8321-8325.
construction contracts, with the methods employed or with the amount of money spent.\(^4\)

(2) After much prodding, we have been able to get PRA to introduce a bill in Congress to provide an additional $25,000,000 for the completion of the Inter-American Highway.\(^5\) . . . Our position must be that the standards of construction, the estimates of cost, the methods of construction and the amounts expended are all technical problems already within the constance [province?] of PRA, with which we have nothing to do.

On the other hand, we are extremely interested in pressing the bill because (1) the completion of this Highway is an extremely important factor in our relations with and our prestige in the six countries involved, and (2) that the Government of the United States is committed to the completion of this road.\(^6\) . . .

The accompanying officer should also be aware of the fact that the pending bill appropriates $17,000,000 of the $25,000,000 for the completion of the construction in Costa Rica and involves a departure

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\(^4\) The Pioneer Highway was a military project undertaken by the War Department in June 1942 to establish as soon as possible a through line of communication from the Mexico-Guatemala border to the Panama Canal; all work on this project was stopped on October 31, 1943, as the result of mounting costs and vanishing needs for this emergency road. On the other hand, the Inter-American Highway was being built on a cooperative basis, the Central American Governments putting up either borrowed money or their own funds to cooperate with the United States in the building of the highway primarily for peacetime uses.

\(^5\) The Department, having received from the Public Roads Administration (PRA) in December 1943 estimates which showed the need for additional funds to complete the highway, on various occasions urged PRA to introduce a bill into Congress providing funds for the highway. On February 21, 1944, a Departmental memorandum to President Roosevelt informed him of the urgent need for additional appropriation of $25 million, and, on April 24, 1945, a Departmental memorandum advised President Truman, also, of the situation. President Truman, in his message to Congress on September 6, 1945, recommended an appropriation of $25 million “to continue the construction of the Inter-American Highway through the Central American republics to the Canal Zone”. On May 9, 1945, PRA had introduced to Congress the bills H.R. 3172 and S. 1194 which would have provided $25 million additional funds. In response to a request from the House Foreign Affairs Committee, the Department, in a letter of June 18, 1945, expressed full support of the measure and urged that H.R. 3172 be given favorable consideration because of this Government’s moral commitment to complete the road.

\(^6\) The various commitments were outlined in a memorandum of March 8, 1946, by Assistant Secretary Spruille Braden, not printed. The clear intent of Congress that a through road, rather than intermittent portions thereof, would be built was established by the provisions of the highway appropriation bill (Public Law 375, December 26, 1941, 55 Stat. 560) authorizing $20 million to provide for cooperation with the five Central American Republics and Panama in the construction of the Inter-American Highway. The six countries concerned gave the necessary assurances and agreed to furnish one-third of the funds required, in the clear understanding that a through road would be constructed (Department of State Executive Agreement Series Nos. 293, 294, 295, 296, 345, and 365, or 56 Stat. (pt. 2) 1840, 1842, 1845, and 1848, and 57 Stat. (pt. 2) 1111 and 1298, respectively).
from present legislation, in that it is not contemplated that Costa Rica shall contribute \( \frac{1}{3} \) of the cost.\(^7\) This provision was necessary because Costa Rica cannot so contribute in view of its poor financial condition. The pending bill further provides funds on a two-thirds-one-third basis for the construction of a spur of the Inter-American Highway to Tegucigalpa. The justification for this proposal is contained in the Staff Committee documents already mentioned.

The accompanying officer should also be aware of the provision of the new law, suggested by Senator McKellar, whereby the expenditure of these funds would be conditioned upon the countries' agreeing to free traffic over the road.\(^8\)

While the pending legislation has not been referred to the House Roads Committee (but rather to the Foreign Relations Committee)\(^9\) the members of the Roads Committee making the trip will have both an interest in and an important influence on the legislation and I feel that the foregoing points should be made very clear to them during their trip.

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810.154/2-2746

Memorandum of Conversation, by the Chief of the Division of Caribbean and Central American Affairs (Cochran)

[Extracts]

[WASHINGTON,] February 27, 1946.

Participants: Mr. John L. Harrison, Assistant Chief of the Inter-American Regional Office of the Public Roads Administration.

Mr. William P. Cochran, Jr., Chief, Division of Caribbean and Central American Affairs.

Mr. Robert Newbegin (CCA).

Mr. Harrison adverted to conversations which the Nicaraguans had had in the Department approximately a year ago with regard to

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\(^7\) Highway construction in northern Costa Rica had been suspended in April 1945 and in southern Costa Rica in March 1946, because available funds had been exhausted.

\(^6\) In introducing the Inter-American Highway bill in the Senate, Senator Kenneth D. McKellar (President pro tempore) inserted amendments providing that the funds appropriated could not be obligated or used in any cooperating country unless and until that country had signed a "treaty" with the United States providing (1) that it would impose no restriction on the use of the highway or levy taxes on vehicles of any country member of the Pan-American Union, which did not apply equally to its national vehicles and (2) that it would grant reciprocal recognition of registration and drivers' licenses to all members of the Pan-American Union.

\(^8\) The House Foreign Affairs Committee handled the original legislation. The Committee, however, held no hearings on H.R. 3172, and the bill died with the adjournment of the 79th Congress.
our possible unfulfilled financial obligations resulting from the construction of the Inter-American Highway and the Rama Road. Mr. Harrison explained that the Nicaraguans did as we do in that they established a single fund for all road work and charged all expenditures to it. Total expenditures from this fund had amounted to $4,500,000. Work on the Inter-American Highway under the inter-governmental agreement and project statements had amounted to about $1,500,000, of which we had reimbursed Nicaragua in the sum of $1,000,000 as our 2/3 portion of the agreement, Nicaragua putting up the other 1/3. The Nicaraguans took the attitude that we also owed them 2/3 of the remaining $3,000,000. We tried to explain to them that this obviously included work on the Rama Road (for which we are wholly responsible) and all kinds of work done on the streets and highways of Nicaragua and chargeable wholly to Nicaragua. However, the accounts were in such bad shape that we were unable clearly to segregate these various items. An audit was undertaken and has now been completed.

It was made clear by Mr. Harrison that the Rama Road is an entirely separate project and that figures with regard to it are not included above. I asked him whether he thought it would be possible to complete the road for $4,000,000. He said that he doubted it. He intimated that 100 kilometers were already in very good shape and vaguely hinted that it might be possible to complete only 150 of the total of 280 kilometers with the funds at present available. I expressed concern and pointed out that we were committed to the Nicaraguan Government to build a highway to Rama and I thought that it should be completed, although not necessarily to standards used in the United States, emphasizing that the point was to get a through road rather than to build it to any particular standards. Mr. Harrison said that while it might be possible for them to work to lower standards than they were using, this would be an unsatisfactory method of operation, in that they were using the lowest standard possible from the point of view of future maintenance. The implication was that, were construction standards further reduced, the road would deteriorate rapidly, bridges possibly being washed out, etc., so that it would be of progressively decreasing utility and greater expense to the Nicaraguan Government.

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10 On April 1, 1945, President Anastasio Somoza's instructions had been issued to the Nicaraguan highway department to cease work on the Inter-American Highway unless an agreement were reached with the United States on reimbursement of Nicaragua for work done on the highway. The Nicaraguan Embassy had informed the Department on February 21, 1945, that this Government was $1,600,000 in arrears on such reimbursements.

11 Some $400,000 had been spent on the Rama Road.
I expressed concern at the possibility of having to go back to Congress for additional funds to carry out this commitment to the Nicaraguan Government and asked Mr. Harrison if he felt that he could defend the use of his present standards and failure to complete the road within the sum of money allocated by President Roosevelt, in seeking additional funds from Congress. He stated that he felt it would be quite possible to do so and discussed at some length the increased labor and other costs with which PRA has been faced since the original estimate was made.

W[ILLARD] P. C[ochran, Jr.]

810.154/3-2646

The Ambassador in Nicaragua (Warren) to the Assistant Secretary of State for American Republic Affairs (Braden)

PERSONAL

MANAGUA, March 26, 1946.

CONFIDENTIAL

[Received April 2.]

DEAR CHIEF: During the visit of the Congressional and Military Road Mission to Nicaragua over the week-end of March 3, I had the opportunity to speak for a few minutes with the Honorable J. W. Robinson of Utah, Chairman of the Committee on Roads and head of the group visiting Managua. He was good enough to tell me in confidence of his reaction to what he had learned and, perhaps, the reaction of the other members of the Committee accompanying him.

... If I have understood correctly the attitude of Mr. Robinson, this places the responsibility for the continuation of the Inter-American Highway and the Rama Road squarely on the Department of State. It is a great responsibility, but it is one we should welcome in view of the tremendous obligation which the Department of State now has throughout the world for the maintenance of world peace. I believe that every activity of the American Government and of every American firm and institution operating in the American republics will be affected by our decision on the construction of the roads. Having no doubt whatever as to the compelling need for the completion of the roads as quickly as possible, I would like to set forth the following reasons why I consider the program should go forward in Nicaragua:

1. We should complete the Inter-American Highway and the Rama Road because to fail to do so would be a tremendous blow to the prestige of the United States in this Central American republic and do untold damage to the Good Neighbor Policy as a permanent principle for the conduct of our foreign relations. Nicaragua considers she has been promised the Inter-American Highway and Rama Road.
If we now say that we cannot complete them, the Nicaraguans will feel that we have gone back on our word. During the second World War we appealed to Nicaragua and obtained full cooperation in the war effort. The Nicaraguan Government and people felt that they were standing by the United States in an all-out effort to defend the way of life of the Western Hemisphere. There was a unity of purpose, attitude, and action that appealed to the Latin mind and spirit. There was a display and exercise of force by the Allies that had a particular appeal to a people who respect and admire the use of force and who desire to be on the winning side. This people felt that it was part and parcel of the greatest endeavor made in the history of the human race. If we now say that we cannot complete the highway or the road, the Nicaraguans will be told, as some already believe, that we only appealed to them when we were in trouble and now that the war is finished we are abandoning them. In other words, the failure to complete the road-building program will be cited and taken as proof that we don’t have the interest in this people that we professed during the war. Our prestige will drop to the lowest point in a half century.

2. A decision to withdraw from the road-building program in Central America will augment and encourage the forces opposing the efforts for world peace as we envisage that ideal today. In order to secure that peace we must have a peaceful and cooperative Central America. For years the names of Nicaragua and Central America have been synonomous with revolution. Revolutionary undertakings will continue to thrive in the Central American republics as long as they remain the isolated states which we now know. Nicaragua will continue to be two jealous states under one government as long as the East Coast is divided by the great land barrier—the jungle reaching from Honduras to Costa Rica. In Nicaragua that barrier will exist indefinitely unless the United States Government lives up to the promise of President Roosevelt to build the Rama Road connecting Managua with navigation on the East Coast. If the Inter-American Highway is fully constructed as it should be from the Costa Rican to the Honduran border, I shall expect to see a rapid and a dampering effect on revolutionary activity in Nicaragua and a gradual improvement in relations between Nicaragua, Costa Rica and Honduras. If the highway is not constructed, we shall contribute to continued unsettled conditions in this section and lend aid and comfort to those who oppose our efforts to assist these republics.

3. The completion of the United States road-building program in Nicaragua is important because of our need for Hemispheric solidarity. It would be difficult to overestimate the value of the aid given the United States and her allies by Nicaragua and the other American republics in winning the second World War. We are now trying to win and insure the peace. We realize that the cornerstone of any structure for world peace must rest on the solidarity of all the American republics. Our attitude toward Argentina recognizes this. If we have the respect of all the American republics we have a basis for attaining the solidarity of the Western Hemisphere. The Inter-American Highway has become a symbol of Hemispheric solidarity. If we do not complete it, we will play into the hands of our enemies who are attempting to undermine that solidarity.
4. We should complete the Inter-American Highway and the Rama Road because to do so will create a predisposition on the part of Nicaraguans to understand and support us when we have to refuse future requests for assistance. During the second World War we spent money at home and abroad as we have never done before. We knew that we had to spend in order to win. The Nicaraguans also realized this. Consequently, laudable undertakings which we sponsored and carried through during the war period will never receive the recognition from the Nicaraguans which they merit. The Nicaraguans feel that we had to carry through those undertakings. However, the Nicaraguans are beginning to realize that that period has come to an end. In the future we must examine every proposal for expenditures with more care than heretofore. Consequently, there will be many things that we will want to do in Nicaragua and that Nicaragua will want done which will have to be denied to ourselves and the Nicaraguans. I believe we can make the Nicaraguans understand our position if we keep our promise regarding the road-building program. If we do not keep that promise, we can not expect the understanding that we would desire.

5. We should carry through our road-building program in Nicaragua because it will help to draw this country closer to us. We want Nicaragua to have a democratic government that will bind it culturally, intellectually, and ideologically as close as possible to the United States. With such a government we can feel that American firms and individuals who desire to do business will have the same support from the Government and people of Nicaragua that we grant to Nicaraguans in the United States desiring to carry on trade and commerce there. Throughout Latin America, when a native desires to indicate an exact time he says, “hora inglesa.” In other words, the Englishman is known in all the Americas for being punctual. We can be sure that if we do not complete our road program in Nicaragua that a “compromiso Americano” will not be a synonym for keeping one’s word.

6. We can not afford to abandon construction of the two highways because to do so would cause the loss of the sums which Nicaragua and the United States have already spent on the roads. Until those roads are completed we will not get the returns which we have a right to expect from our expenditures. Conceivably the United States can write off her part of the expenditure as a portion of the cost of the war. However, Nicaragua can not afford to expend her part in that way. She would only be justified in spending the amount if the work is finally finished. If we doom construction by withdrawing our assistance, Nicaraguans will blame us for generations.

7. The Inter-American Highway and the Rama Road should be completed because of the increased American tourist trade that would be brought to this country. In the next decade Nicaragua is expected to have a decreasing yearly amount of foreign exchange. During that period she will need more foreign exchange than normally to purchase automobiles, trucks, heavy and agricultural machinery, tires, gasoline, railway rolling stock, and many consumers goods which she has been unable to procure during the war years. If during the decade the tourist trade from the United States can be effectively
stimulated, the resulting increase in foreign exchange will be a god-send to Nicaragua in meeting the critical demand for more dollars. The completion of the two roads should bring an ever increasing tourist travel to this country.

8. Although the construction of the two highways is not to be justified on military grounds, there is still an important military aspect. The Embassy does not presume to speak for the military in this matter, but certain factors appear obvious. With the cessation of hostilities the military urgency for the construction of the Inter-American Highway and the Rama Road no longer existed. However there remained what might be termed a “latent military requirement.” This requirement for highway transport facilities in foreign lands is similar to the necessity of maintaining through military or civil means a system of air bases throughout the world. Should we have to fight another war, we would then need these highways more than we did in 1941–45.

In concluding let me emphasize that although the paragraphs which I have written above for the most part cover intangible and spiritual values in the relations of our country and Nicaragua, they are values that cover the entire range of all our activities in this country. I believe those activities are big and broad enough so that we can not afford to abandon the Inter-American and Rama Roads. I have no fear that the years will show how truly justified we are.

Cordially and sincerely yours,

FLETCHER WARREN

810.154/4–1746

Memorandum of Conversation, by the Chief of the Division of Caribbean and Central American Affairs (Cochran)

[WASHINGTON,] April 17, 1946.

Participants: Mr. E. W. James, Chief, Inter-American Regional Office, Public Roads Administration.

Mr. William P. Cochran, Jr., Chief, Division of Caribbean and Central American Affairs.

Mr. Fred G. Heins, Political Economist (CCA)

Mr. Murray M. Wise, Desk Officer (CCA)

Mr. James called this morning and let me read the first draft of his memorandum of his conversation with President Somoza. Mr. James had just returned from Nicaragua, having gone there to discuss the outcome of the recent audit of the road accounts. The report stated in brief that by approving certain expenditures in excess of agreement amounts, and bringing other accounts up to date, we were in the position of owing approximately $500,000 to the Nica-

32 Not printed.
The Nicaraguan Government. This figure was apparently accepted by the Nicaraguan officials present.

Mr. James then adverted to certain purchases made by Nicaragua of private firms in the United States, the PRA having urged the American firms to supply the equipment desired. These accounts amount to some $154,000 and Somoza agreed that it would be entirely satisfactory to have PRA pay these American exporters from the amounts due from PRA to Nicaragua. Mr. James said that what he would do would be to take the 13 principal items and have them billed direct to PRA, which would then be able to pay them out of the funds due to Nicaragua.

During the meeting, the question arose of Nicaragua’s being in arrears in its payments on its loan from the Eximbank and President Somoza also expressed a desire to have this sum paid out of the half million dollars available. The question of how this could appropriately be done was raised and Mr. Cochran suggested that Mr. James discuss this carefully with his legal advisers. It was pointed out that it might be possible to make the check payable to the Nicaraguan Embassy here, which would then endorse it over to the Export-Import Bank. This would leave some $250,000 available to the Nicaraguan Government.

While in Guatemala, Mr. James met a Colonel MacNamara of the United States Army Engineers, who was attempting to collect some $167,000 due to the USED for supplies and parts turned over to the Nicaraguan Government when USED abandoned its Pioneer Road project. This is the first Mr. James had heard about the matter. Mr. James mentioned this account to Ambassador Warren, but the latter did not feel that we should press President Somoza to pay it out of the remaining $250,000 mentioned above, since he equally had heard nothing of the case up to this point.

The memorandum of conversation also indicated that President Somoza had expressed interest in pressing work on the spur section of the Inter-American Highway from Matagalpa to Jinotega and that Mr. James agreed to do so.

We then discussed PRA’s activities as regards the construction of the highway to and the runways of the new airport in Panama. (Reference: Despatch no. 1250 of April 2, 1946 from Panama)

14 A copy of the completed audit was transmitted to Mr. Cochran by Mr. James in a letter of June 20, 1946 (810.154/6-2046).
15 See airgram A-58, March 5, to Managua, p. 1085.
16 For documentation on this route agreement, see Foreign Relations, 1944, vol. viii, pp. 187 ff.
17 For documentation on this subject, see pp. 1167 ff.
18 Not printed.
Mr. James read the despatch and agreed that the matter could be worked out on the basis suggested therein. However, he suggested that this should be discussed with Captain Curtis of PRA. He expressed his personal opinion that Mr. Hubbard was motivated somewhat by his desire to continue in his present employment in Panama. He was informed that our concern sprang from two reports which we received of recent newspaper attacks upon PRA for its construction activities in Panama.

W[ILLARD] P. C[OCHRAN, JR.]

810.154/5-346

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

No. 1327

GUATEMALA, May 3, 1946.

[Received May 16.]

Sir: I have the honor to refer to the Embassy’s despatch No. 810 of November 8, 1945 19 and to previous communications concerning expenditures made by the Government of Guatemala in continuation of the work on the International Highway of the Pacific in order that the Government of Guatemala might obtain full ownership to certain equipment left in Guatemala by the United States Army.

There is now enclosed a copy in translation of note No. 5995 of April 26, 1946, 20 which has been received from the Guatemalan Ministry for Foreign Affairs. It will be recalled that the accounting forwarded under cover of the Embassy’s despatch No. 810 of November 8, 1945 showed that there was a balance of $16,065.23 to be accounted for in order that clear title to the equipment et cetera might be obtained, if the accounts should be approved. The enclosed note states that a balance was again made as of December 31, 1945, which purports to show that Guatemala has expended between November 1, 1943 and December 31, 1945 the sum of $1,644,916.07, while the value of the equipment which was left in Guatemala upon the cessation of work by the United States Army on the Ruta Militar de Emergencia 21 was $1,508,257.60. The note, therefore, states that the Government

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19 Not printed; it transmitted to the American Embassy a note No. 13241 of November 2, 1945, from the Guatemalan Ministry for Foreign Relations indicating that Guatemala had fulfilled its obligations to the United States Army Engineers to expend $1,508,257.60 (the value of equipment transferred) on the Pioneer Highway and requested a final accounting to indicate in documentary form that the Guatemalan Government had a completely clear title to all of the equipment (810.154/11-845). For the contract between the Corps of Engineers of the War Department and the Guatemalan Government, see instruction 518, May 17, 1944, to Guatemala, Foreign Relations, 1944, vol. vii, p. 193.

20 Not printed.

21 The Emergency Military Route (RUME) later known as the International Highway of the Pacific (Carretera Internacional del Pacifico, CIPA).
had expended as of December 31 a total of $136,658.47 in excess of the amount that it was obliged to expend in order to obtain title to the equipment. . . . ^22

Respectfully yours,

For the Ambassador:

ANDREW E. DONOVAN II
Secretary of Embassy

817.154/12-1246

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

RESTRICTED

MANAGUA, December 12, 1946.
No. 1260
[Received December 17.]

SIR: I have the honor to refer to the Embassy's despatch no. 1215 of November 22, 1946, entitled "The Rama Road" ^23 and in that connection to report further developments in Managua.

In order that the persons chiefly concerned might know the results of my conversation with President Somoza as reported in the despatch under reference, I requested Mr. Milton J. Adams, P.R.A. representative in Managua, Mr. E. F. Heyler, P.R.A. auditor in Managua, Engineer Constantino Lacayo Fiallos, Nicaraguan Government representative in charge of construction on the Rama Road, and Mr. P.E.P. Marshall, American employee of the Nicaraguan Departamento de Carreteras, to meet with me in the Embassy residence at Las

^22 A supplemental United States-Guatemalan agreement signed on April 23, 1946, and approved by direction of the Under Secretary of War (Royall) on December 15, 1946 (transmitted to the Department in a memorandum of December 18, 1946 from the War Department) indicated that the depreciated book value of the equipment, etc., turned over to the Guatemalan Government amounted to $1,522,816.25; and that that Government, between October 15, 1943, and December 31, 1945, incurred expenses amounting to $1,644,916.07 in connection with the construction of the Highway and maintenance of completed segments thereof. The agreement provided, therefore, that Guatemala had compiled in full with its commitments under the contract, and that it return therefor the United States relinquished any and all claims to ownership and/or control over the use or other disposition of the equipment (S10.154/12-1246).

^23 Not printed; a memorandum of December 10, 1946, by Mr. Fred G. Heins, Political Economist, Division of Caribbean and Central American Affairs, summarized this despatch and telegram 593 of December 9 from Managua as follows:

"Pursuant to a conference in Washington on November 1 between Ambassador Warren and PRA officials, the Ambassador saw President Somoza on November 21 and again on December 6. The President concurred in the decisions reached at the November 1 conference as follows: (1) Nicaragua will not submit back accounts in excess of $970,000 on Rama project No. 2 (this eliminates the presentation of back accounts amounting to approximately $128,476). (2) Nicaragua will contribute $30,000 a month from November 1, 1946, to be used for labor on the Rama Road; and (3) Nicaragua will submit future Rama accounts, for reimbursement by the United States, within 30 days after the close of the month in which the expenditures are incurred.

"Mr. James of PRA indicated in a telephone conversation that the above arrangements are satisfactory, and that PRA work on the Rama Road will continue at the present reduced pace." (810.154/12-946)
Piedrecitas to discuss the status of the Rama projects. They met at the residence because I was too ill with a cold to go to the Chancery. They all had seen copies of the memorandum quoted in Despatch No. 1215.\footnote{The quoted memorandum concerned a meeting in the office of Commissioner Thomas H. MacDonald, Public Roads Administration, on November 1, and the conclusions reached with respect to Ambassador Warren’s prospective conversation with President Somoza.} I repeated to them the additional information contained in the despatch. Explanation was given for the need of the closest cooperation of all present if the work on the Rama Road were to be continued until the United States Congress has the opportunity to consider granting funds to complete the Road. I appealed to all to work together to that end. During the course of the discussion I referred to my interview with President Somoza on November 21, 1946, and, speaking directly to Mr. Marshall, suggested to him that he go to President Somoza for the instructions which the President had said he would give to the Nicaraguan Departamento de Carreteras.

After the group had left Las Piedrecitas Mr. Marshall, without my knowledge, requested Mr. Adams to draw up a memorandum of the discussion and to supply each person present with a copy. Mr. Adams complied with the request by drafting the following memorandum:

"MEMORANDUM OF DISCUSSION AT PIEDRECITAS

NOVEMBER 29, 1946

Present: Ambassador Warren, Sr. Lacayo Fiallos, Mr. P.E.P. Marshall, Mr. E.F. Heyler, Mr. M. J. Adams.

"When Ambassador Warren returned recently from the United States he brought with him the results of a discussion between State Department and Public Roads Administration officials regarding Rama Road finances.

"He also brought a personal message from Mr. Thomas H. McDonald to President Somoza.

"Ambassador Warren upon his return to Nicaragua had gone over the whole situation with President Somoza and they had arrived at a complete understanding regarding the procedure to be followed.

"The discussion of November 29 was held by Ambassador Warren in order to give those present the results of his discussions in Washington and with President Somoza.

"With the full knowledge and approval of President Somoza the following special understandings concerning Rama Road work are to be put into effect.

"(A) Beginning November 1, 1946 the Government of Nicaragua is to earmark $30,000 per month or, its equivalent in cordobas, as a donation toward continuing the work on the Rama Road. No claim will be made by Nicaragua for reimbursement of any part of this $30,000 per month.

"The $30,000 will be used first to pay for labor but in any month after all labor charges have been met, from the $30,000 fund, if there
remains a balance that balance will be used to liquidate other than labor charges. The idea is that in any month the $30,000 will be spent to liquidate current charges and that no attempt shall be made to carry part of it ahead to meet future charges.

"(B) President Somoza has agreed to forego any and all claims for expenditures on Rama Road Project No. 2 in excess of the amount now under agreement which is $970,000.

"(C) So that the Public Roads Administration may intelligently plan a program of work, with full knowledge of the financial situation; and so that Nicaragua may receive the fullest benefit from the expenditure of the entire $4,000,000, in the actual construction of the Rama Road, President Somoza has agreed that claims for reimbursement must be submitted within 30 days.

"This is to take effect on December 1, 1946. That is after that date accounts for reimbursement must be submitted within 30 days.

(signed) "M. J. ADAMS"

Upon receipt of his copy, Mr. Marshall asked Mr. Adams if he could send copies to the Minister of Fomento and other Nicaraguan officials. Mr. Adams replied that he had no objection but recalled that I had told Mr. Marshall to go to President Somoza for his instructions. Mr. Marshall, however, ignored the advice of Mr. Adams and proceeded to circulate the memorandum to various officials. The memo is much more categoric and directorial than I would have written. However, it was already in circulation and the harm done before I knew of its existence. Needless to add, the Minister of Fomento, General José Maria Zelaya, did not like or understand the communication. Engineer Lacayo Fiallos learned about the Minister’s displeasure and after several interviews got the Minister to understand what I was trying to do and that I had definitely told his subordinate, Mr. Marshall, that he should go to President Somoza for his instruction in the matter. Minister Zelaya did not mention the incident to me and I let it take its course.

I am now in receipt of a copy of a letter dated December 5, 1946, written in Spanish by Minister Zelaya to Mr. P. E. P. Marshall. That letter reads:

The enclosure to Minister Zelaya’s letter is a revised copy of Mr. Adams’ memo mentioned above. The enclosure is in English and reads:

[Here follows text of memorandum of discussion at Piedrecitas, November 29, 1946, identical with the text of Mr. Adams’ memorandum, with exception of the two following paragraphs:

"(A) Beginning November 1, 1946 the Government of Nicaragua is to earmark $30,000.00 per month or, its equivalent in cordobas, as an advance toward continuing the work on the Rama Road. No claim
will be made by Nicaragua for reimbursement of any part of this $30,000.00 per month unless there is a remaining balance of the original Four Millions Dollars appropriated by the U.S.A. Government for the Rama Road.

"(B) President Somoza has agreed to forego any and all claims for expenditures on Rama Road Project No. 2 in excess of the amount now under agreement which is $970,000.00, providing there are no more funds available to reimburse out of the $4,000,000."

It will be seen that Minister Zelaya’s memo in effect confirms the information in Mr. Adams’ memo. The only essential difference is a proviso that, “No claim will be made by Nicaragua for reimbursement of any part of this $30,000 per month unless there is a remaining balance of the original four million dollars appropriated by the U.S.A. Government for the Rama Road.” A similar proviso under (B) reads, “Providing there are no more funds available to reimburse out of the $4,000,000.”

The effect of these provisos would be to put on record the intention of the Somoza Government to seek reimbursement of any part of the $30,000 to be advanced monthly or of any sum beyond $970,000 spent on Rama Road project in case the U. S. Government does not spend all of the $4,000,000 on the Rama Road. Of course, the total expenditure of the four million dollars is what we are now trying to effect.

I believe that Mr. Marshall’s mistake has turned out to the advantage of the Rama project.

Respectfully yours,