DOMINICAN REPUBLIC

POLITICAL AND ECONOMIC RELATIONS OF THE UNITED STATES AND THE DOMINICAN REPUBLIC[1]

711.56339/4–951

Memorandum of Conversation, by Mr. Charles C. Hauch of the Office of Middle American Affairs

SECRET [WASHINGTON,] April 9, 1951.

Subject: Proposed Agreement With the Dominican Republic on Long Range Proving Ground for Guided Missiles[2]

Participants: His Excellency Virgilio Diaz Ordonez, Dominican Foreign Minister
His Excellency Sr. Dr. Luis Francisco Thomen, Dominican Ambassador
His Excellency Julio Ortega Frier, Ambassador on Special Mission (Dom.Rep.)
Ambassador Albert Nufer, Director, Office of Middle American Affairs
Mr. Charles C. Hauch, Office of Middle American Affairs
Mr. Gerald Russell, Office of Regional American Affairs
Colonel Carl Swyter, Guided Missiles Branch, Department of the Air Force
Lt. Col. R. H. Clinkscales, Military Air Rights Section, U.S.A.F.

This meeting was arranged as a result of the initiative taken by the Dominican Foreign Minister in stating that if we had any particular

[1] For previous information concerning United States relations with the Dominican Republic, see editorial note printed in *Foreign Relations*, 1950, vol. II, p. 854.

[2] In telegram 111, from Ciudad Trujillo, November 11, 1950, not printed, the First Secretary of the Embassy (Belton) had informed the Secretary of State that the Dominican Government agreed to discuss with representatives of the Department of State and the United States Air Force the acquisition of sites in the Dominican Republic in connection with the operation of a Long Range Proving Ground (LRPG) for guided missiles (711.56341B/11–1150); a draft of a proposed agreement was sent to the Embassy for presentation to the Dominican Government under cover of instruction 67, February 9, 1951, not printed (711.56341B/12–2950).

comments on the Dominican counter draft [3] of the Long Range Proving Ground Agreement, submitted to our Embassy by the Dominican Foreign Office, he was at our disposal to hear our views while he was in Washington. At the outset of the meeting, an informal written statement outlining in general terms our preliminary thinking on the Dominican counter draft was given the Dominican representatives. A copy of this statement is attached.[4] This statement indicates general concurrence with the form and approach proposed by the Dominican Government for the Agreement, but contains certain broad suggestions regarding desired changes in some of the Agreement's Articles. The ensuing discussion was carried on in a spirit of friendly cooperation, with the Foreign Minister stating that his Government was happy to cooperate with us in this project. At one point Ambassador Ortega Frier stated that when the request for Dominican cooperation was received, his Government was "tickled to death" at the opportunity thus afforded to participate in a joint defense project.

After looking over the draft of our views handed them, the Dominican representatives, with Ambassador Ortega Frier doing most of the talking, mentioned the following points:

1. Ambassador Ortega Frier inquired whether it was intended to use the sites and rights granted by the Agreement for general defense purposes in the event of hostilities. He said that if there was any possibility that this might be done it would be better to include it now than to conclude a supplementary agreement at a later date. Ambassador Ortega Frier was apparently desirous, for prestige reasons, that such an addition be made to the Agreement. The Air Force representatives stated that it was not now intended to use the sites and privileges cited for purposes other than those stipulated in the draft already submitted to the Dominican Government. The Dominicans were told that consideration would be given to the point raised by Ambassador Ortega Frier.

2. Some apprehension was expressed by the Dominicans with respect to the extent of the range area and possible danger which might result should the missiles flown over the area get off course. They inquired whether it was possible that these missiles might fly outside the range area. The Air Force representatives said that while this is a possibility, they feel that very little danger will result therefrom, since the movement of the missiles can be controlled from the ground and the missiles can be destroyed if there is any reason to believe their continued flight would be dangerous.

[3] The Dominican counterproposal for an LRPG agreement, dated March 16, 1951, was transmitted to the Department of State as enclosure 2 under cover of despatch 589, from Ciudad Trujillo, March 16, 1951, not printed (711.56341B/3–1651). In the covering despatch, Ambassador Ackerman stated in part that most of the concessions sought by the United States in the original draft had been retained in the Dominican draft, and that the only substantive changes were an explicit statement that the Dominican Republic did not cede sovereignty over the area specified as the testing ground, provision for the establishment of a mixed commission to determine jurisdiction over crimes by United States personnel in and outside of the area, and a reduction of the duration of the agreement from 25 to 5 years.

[4] Not printed.

3. The Dominicans inquired whether the missiles might carry atomic weapons or materials. They were told that this might be a possibility.

4. In general the Dominicans wished to know how much dangerous material would be carried in the missiles over the testing range. The answer to this question was that normally very little will be carried, i.e., only sufficient explosive material to destroy the missile in the event its continued flight is undersirable. It was clearly pointed out that the missile is a means of transporting explosives and is not an explosive itself, so that in testing the flight of missiles over the range the principal "cargo" carried by the missile will be non-explosive ballast material.

5. The Dominicans inquired whether it was intended to establish other proving grounds or to make agreements with other countries of the type proposed between the United States and Dominican Governments. The reply to this question was that this is the only LRPG contemplated by the Air Force and that it is not now planned to extend it beyond Puerto Rico. The Dominicans were told that the only other agreements negotiated or under negotiation are with the Government of the United Kingdom, with reference to the use of the territory of the Bahamas and other British islands on the route of the LRPG. It was pointed out that the testing of guided missiles over the LRPG is a joint United States-British project, and that the agreements with the British provide for the way in which British controlled territory shall be used in this project.

6. Some discussion ensued on the proposal of the Air Force for a 25-year period for the life of the Agreement and the Dominican counter proposal for a 5-year period. Ambassador Ortega Frier stated that it would be difficult to explain to the Dominican people, particularly those whose property rights would be affected by the need for sites, rights of way, etc., why they must give up the use of their property for 25 years. He felt it would be better to present the matter to those Dominicans whose property rights would be so affected as a 5-year proposal, since this would appear to be of a much more temporary nature than a 25-year period. He said that the Agreement could be extended as needed beyond the 5-year period.

The Air Force representatives stated that the 5-year period would just give them time to get well under way and that it would be difficult for them to explain the project to the Congress of the United States and to obtain the necessary funds for the heavy long run investment needed if assurances could not be given in advance that the Air Force would continue to reap the benefits of the investment put into the project. No conclusive result was reached between the United States and Dominican representatives as to the length of the Agreement.

No comments were made by the Dominican representatives regarding the general remarks in the United States informal statement with respect to the Dominican Government's counter draft on the matter of jurisdiction.

It was agreed that we would prepare precise alternative language on those Articles in the Dominican draft which we wish to have

revised, and would submit these proposed revisions to the Dominican Government through our Embassy at Ciudad Trujillo, in accordance with the already agreed on plan to have the agreement negotiated and signed there.

After the Dominicans had left, the United States Government representatives tentatively agreed to suggest to the Dominicans a 12 or 15-year period, and to accede to a 10-year period if necessary. If it is decided to present this alternative to the Dominican Government it will be included in the Department's suggested modifications of the Dominican draft for presentation by our Embassy to the Dominican Government.[5]

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[5] The several drafts and counterdrafts of the proposed LRPG agreement exchanged by the United States and the Dominican Republic between May and November, 1951, are in Department of State decimal files 711.56341B and 711.56339.

On November 26, 1951, the United States and the Dominican Republic signed at Ciudad Trujillo an agreement, with an accompanying exchange of notes of the same date, providing for the extension through a portion of Dominican territory of the flight-test range for guided missiles of the United States Air Force Missile Test Center at Cocoa, Florida. The agreement was transmitted to the Department of State under cover of despatch 327, from Ciudad Trujillo, November 29, 1951, not printed (711.56339/11-2951). For text of the agreement and notes, see Department of State Treaties and Other International Acts Series (TIAS) No. 2425, or *United States Treaties and Other International Agreements* (UST), vol. 3 (pt. 2), p. 2569.

795B.5/7-951

The Ambassador in the Dominican Republic (Ackerman) to the Department of State

SECRET

CIUDAD TRUJILLO, July 9, 1951.

No. 14

Subject: Conversation with President and Foreign Secretary Regarding Dominican Troops for UN [1]

In my conversation today with President Trujillo [2] and Foreign Secretary Díaz Ordóñez (this is the first time he has had Secretary Díaz Ordóñez present at our interviews) concerning the position of the Dominican Republic in the Korean campaign and the contribution of armed forces for the UN, reported in my telegram 8, of July 9, 1951,[3] the President repeated to me substantially the views he had expressed to General Watson [4] in the conversation reported in my despatch 848, June 27, 1951.[5]

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[1] For additional documentation concerning United States efforts to secure from Latin American governments offers of troop participation in Korea, see pp. 985 ff.

[2] Rafael Leonidas Trujillo Molina.

[3] Not printed.

[4] Lt. Gen. Thomas E. Watson (ret.).

[5] Not printed (795B.5/6-2751).

I pointed out to him the advantages to this country of having a battalion thoroughly trained and equipped for modern warfare as his best insurance against any invasion attempts, although I did not believe there would be any further incidents of that nature in view of the actions taken by the OAS. In emphasizing this remark I pointed out that the reason we had been interested in a battalion rather than a group of smaller size, such as one or two companies, was because the battalion is a self-sustaining unit, if a Marine battalion is taken as a model, equipped, in addition to rifles and machine guns, with tanks, bazookas and possibly such light artillery as howitzers, and flame throwing equipment. The firing power, therefore, of a modern battalion is substantially above that of much larger units under former standards. The streamlining and training of such a force would provide valuable experience to men and especially officers, and by its greater effectiveness might permit him to reduce his present military forces. Therefore, there were advantages to the country apart from the primary objective supporting this attempt to discourage the Soviet from embarking on a Third World War, which seemed to me to merit his reconsideration of his previous decision. I stressed the importance of the countries of Latin America making a show of strength vis-à-vis the Soviet, and mentioned that Brazil was one of the latest of the South American countries to signify intention to join our forces in Korea.[6] He interpolated that he had heard rumors that Nicaragua may send a contingent to Korea, to which I replied that while I believed this matter is under active consideration in Nicaragua, as in several other countries, I could not state for certain that such is the case.

The President listened attentively to my presentation and when I had concluded, he remarked that there could be no question in the minds of anyone anywhere as to his opposition to Communism; that he had taken a strong stand against it long before the U.S. had decided that relations with Russia could not be effective until they were backed up with force. He wished to recall to me that the groups in this area who were desirous of destroying his government were not adverse to using Communists or any other element they could get to support them in such attempts, for among those mixed up in the Cayo Confites affair there were Cuban Communists, some of whom have since shown their true colors by visits to Russia or the satellite states. At that time he sought aid from the U.S. in the form of military equipment and received little understanding and on this as on other occasions in the past he has not found the U.S. very sympathetic to him. He has had to govern this country in a manner designed to improve it in all fundamentals. He has given it a national pride and made it sufficiently

[6] For documentation on this subject, see pp. 1184 ff.

strong that it is now respected among nations. The improvements under his direction are here for all to see. I pointed out that in the affairs of all nations there are times when misunderstandings arise, but that I felt he could not complain in any way against the treatment accorded him during the last three years for we had endeavored to understand his problems and to be of assistance to him in many ways. This he acknowledged to be true. He then said that the financial problem was one that had him somewhat concerned for he had spent a great deal of money in building up his armed forces to insure security from interventionists abroad, and in equipping and supplying those forces. Aside from heavy expenditures made in Brazil, he had also built up an arms factory [7] so as to relieve himself of dependence on foreign sources in an emergency, and this arms factory had been costly. He has always taken pride in avoiding the assumption of obligations beyond the capacity of the country to pay and when he assumed such obligations to live up to them without quibbling or further discussion. The UN has been a financial drain, for apart from the contributions it has been costly to send representatives to its meetings. He feels that the Dominican Republic is in less favorable position to send troops to Korea or prepare for integration of a contingent in the forces of the UN than are a number of the more wealthy of the Latin American countries who have not signified an intention to contribute.

He then inquired as to whether I knew the present status of the security program legislation and in the event it were approved by Congress, whether these funds would be made available to the countries of Latin America.

The third point he raised was the Constitutional provision against sending troops outside of the country, and he facetiously remarked that when he had sought extraordinary powers sometime ago to counteract the plottings of his enemies, adverse criticism emanated from "your friends".

I expressed my understanding of his preoccupation with the financial burden imposed on this country for maintaining the various agencies of the UN and especially for its many meetings which caused a great outlay for small countries and also remarked that the State Department and the U.S. Government were appreciative of the strong support we had always received from the Dominican delegates to these bodies on matters of concern to us and to the Dominican Republic. I remarked that the U.S. has been well aware of the fact that the Dominican Republic has met its obligations to the UN and its affiliates promptly and willingly and that possibly this in part was the reason we felt that he would not treat lightly the request for armed support. I emphasized that this is a common effort and that we too are making

[7] Apparent reference to the Dominican Government's armament plant at San Cristobal.

heavy sacrifices and would probably have to continue to do so until such time as the Soviet, which apparently only recognizes force, came to realize that warfare is unprofitable to all.

The objection to sending forces to Korea by reason of the Constitutional proscription was cogent and one which I could not argue against except to point out that under present world conditions a new request for special Presidential authority would be justified. However, as regards the cost of a contingent for the use of the UN, these forces, as I understand it, are to be held in readiness for use after they have been trained and equipped. If the cease-fire in Korea is a prelude to the withdrawal of troops from that area it is unlikely that the UN will call for these contingents immediately and when such call is made the special Presidential authority required could then be raised before the Dominican Congress.

As regards the appropriations under the security program it seems reasonable to suppose, although I pointed out that this was my idea wholly and not based on information obtained from Washington, that the U.S. Government would utilize that to assist those countries in Latin America which show an intention to support the actions of the UN with armed forces. This should not be interpreted to mean that the U.S. plans to supply equipment and materials as a gift but presumably the authority in that legislation would permit the U.S. to make such equipment available at cost or below cost and also to assist in the training of such troops as might be requested by Latin American governments so that they would be ready for immediate integration into an over-all army. I mentioned further that the arms factory might now become a source of income to this government and especially a worthwhile contribution to the UN or the Atlantic Pact countries in the event that the discussions now being conducted in Washington by Brig. General Clark (Ret) with the War Department were to result in contracting for materiel manufactured to our specifications. Probably the use of such arms by the Dominican armed forces would reduce considerably the amount of equipment it would require from outside.

At this point the Foreign Secretary remarked that while he agreed with the President with regard to sending troops to Korea because of the Constitutional restrictions he did not think that these objections could be applied to the commitment which had been undertaken by this government in the GA and in Washington for making available armed forces for integration into an army for the UN, inasmuch as such troops would not be required immediately and they were merely being trained for later call if an emergency arises in the future. He expressed the view that probably a contingent smaller than a battalion could be made available, but I repeated the arguments given previously supporting a contingent of battalion strength.

The President then handed certain documents to the Foreign Secretary, which apparently had been drawn up by other advisers with regard to these questions, and requested the Foreign Secretary to redraft them along the lines of making available armed forces for the future use of the UN in accordance with the commitments of this government under article 8 of the GA resolution "Uniting for Peace".[8] He asked that the Foreign Minister prepare this in draft form which he could study carefully.

Several times during the exchange of views, the Foreign Minister interjected a few words in my support and I feel certain that these were effective in the President's reversal of his previous decision.

As soon as I receive more definite information from the President or Foreign Secretary concerning this decision, I shall seek from the Department its views as to training, and equipping such contingent to make it available for immediate integration into a larger force.[9]

RALPH H. ACKERMAN

[8] Reference to Resolution No. 377 (V) of the General Assembly of the United Nations, November 3, 1950. For text, see United Nations, *Official Records of the General Assembly, Fifth Session, Resolutions Adopted by the General Assembly during the period 19 September to 15 December 1950*, Supplement No. 20 (A/1775), pp. 10–12.

[9] In despatch 14, from Ciudad Trujillo, dated July 12, 1951, Ambassador Ackerman stated in part: "It is quite obvious from my conversation with the President and the Foreign Minister, as well as from inspired articles which have occurred in the press, that this government will not make available troops for Korea." (795B.5/7–1251)

839.10/8–151

Memorandum by the Assistant Secretary of State for Inter-American Affairs (Miller) to the Secretary of State

CONFIDENTIAL [WASHINGTON,] August 1, 1951.

Subject: 1. Participation of the Secretary in ceremony of exchange of notes with Dominican Ambassador recognizing termination of Financial Convention of 1940.[1]

2. Comment by Secretary on negotiations with Dominican Republic for military bases.

Discussion:

1. Agreement has been reached on the text of an exchange of notes recognizing the termination of the Financial Convention of 1940. The Dominican Ambassador has requested that you sign the United States note at a brief ceremony at your office. For the Dominicans this event

[1] For text of the Financial Convention and accompanying exchanges of notes signed by the United States and the Dominican Republic at Washington, September 24, 1940, see Department of State Treaty Series (TS) No. 965, or 55 Stat. (pt. 2) 1104.

will be of historic importance since it will constitute United States recognition of their complete financial independence.

The Dominican Republic came under United States military administration in 1916. At this time its customs had been under United States management for eleven years. In 1924 the United States Marines were withdrawn but American control of Dominican customs continued until 1940. In that year the Financial Convention was signed, returning financial controls to the Dominican Government, but pledging that Government to make certain bond and interest payments.

On July 4, 1951 the Dominican Government paid the last outstanding private claim. Except for a small balance on its Export–Import Bank loan which is being paid off regularly, the Dominican Government has now extinguished all foreign debts. Considering the past history of Santo Domingo, this accomplishment represents a genuine achievement.

2. On request of the United States Air Force, negotiations are under way with the Dominican Government for the use of certain areas and facilities in Dominican territory in connection with a Long Range Proving Ground for experiments with guided missiles. These negotiations were apparently proceeding smoothly until the Dominican Government recently decided to submit a counter draft. This counter draft proposes several substantive changes, some of which are unacceptable to the Army.

Ambassador Ackerman reports from Ciudad Trujillo that some of the Dominican proposals are motivated by an impression that the Proving Ground, while of vital importance in Dominican minds, is viewed in the United States as a routine military matter of small importance to the Department of State. Ambassador Thomen is reportedly the one who conveyed this impression to President Trujillo.

Recommendation:

1. That you participate in the ceremony to be scheduled at your earliest convenience.[2]

2. I believe that during the ceremony an informal statement by you to the Ambassador that the Department is greatly interested in the early conclusion of these negotiations in view of the importance of the Long Range Proving Ground to hemisphere defense would have a salutary effect.

[2] On August 9, 1951, Secretary Acheson and Ambassador Thomen signed an exchange of notes at Washington whereby the United States and the Dominican Republic recognized the termination of the Financial Convention the two countries had signed in 1940. For text of the notes, see TIAS No. 2365. For a press release dated August 9, see the Department of State *Bulletin*, August 20, 1951, p. 299.

611.39/10–951

Policy Statement Prepared in the Department of State

SECRET [WASHINGTON,] October 9, 1951.

DOMINICAN REPUBLIC

A. OBJECTIVES

Our objectives with particular reference to the Dominican Republic are: 1) to obtain the support of the Dominican Government and people in efforts to promote inter-American and world-wide peace and prosperity; 2) to build in the Dominican Republic an appreciation of the institutions and practices of representative government; 3) the economic development of the Dominican Republic and the promotion and protection of legitimate US business interests; 4) to promote mutual understanding and friendship between the peoples of the Dominican Republic and the United States; and 5) the improvement of relations between the Dominican Republic and its neighbors.

B. POLICIES

US policies toward the Dominican Republic are of particular importance because they exemplify our attitude towards dictatorial governments in a nearby area of political and strategic significance to us. Since 1930 the Dominican Republic has been under the complete control of one of the most efficient and ruthless dictators to be found in the other American republics, Generalissimo Rafael Leonidas Trujillo Molina, under whose rule the Dominican Republic has nevertheless made very substantial progress economically and in public health and instruction. Trujillo and his favorites have, however, a stranglehold on the political and economic life of the country, except for public utilities and the sugar industry, which is principally American-owned and provides through taxation the main source of the government's revenues.

US-Dominican relations are colored by the long history of Dominican financial and political tutelage under the US, as well as by our policy at various times during Trujillo's rule—the most recent being the period 1944–47—of making known our disapproval of his regime. In 1905 under the so-called Theodore Roosevelt corollary to the Monroe Doctrine, the US began the collection of Dominican customs to service the Dominican foreign debt and thus meet a potential threat of intervention by some other power. Customs control was followed in 1916 by military occupation, and for the next eight years the Dominican Republic was under a US military government. Although political sovereignty was restored in 1924, complete financial independence was not regained until 1947 with the liquidation of the remaining privately held Dominican foreign debt.

The period of US control aroused in the Dominicans an ardent desire to become and remain free from dependence on foreign governments. While Dominican opinion did not become permanently hostile to the US as a result of our intervention, and the Dominican Government fully cooperated with us in the recent war, it has been reluctant to ask our help even in undertakings which might be of benefit to it. This reluctance was intensified during and as a result of the 1944–47 period when our official relations with the Trujillo Government were on a "correct but cool" basis, and when we therefore rejected certain Dominican requests.

In seeking to achieve our first objective it is our policy to make known to the Dominican Government our international objectives and our views on specific international problems. The Dominican Government has usually made a point of cooperating with us in the Organization of American States (OAS) and the United Nations. At the same time it has occasionally taken an aggressive stand on matters that are of particular interest to it, such as the Spanish question, how to deal with international communism, the creation of an effective inter-American organization (now achieved in the OAS), and the use of OAS machinery to curb threats of aggressive and interventionist international action against the Dominican Republic. In this last regard Dominican policy is in line with our policy of strong support for the OAS as a regional security system within the United Nations.

Efforts to achieve our first objective also play a leading role in determining our policy towards Dominican arms requests, both from the point of view of the effect which a possible refusal on our part to license arms shipments to the Dominican Republic would have on that Government's general attitude toward us, and from the point of view of the result of such shipments on the ability of the Dominican Republic to contribute to world and Hemisphere defense against aggression. The Dominican Government has for a number of years been strengthening its armed forces, principally on the grounds that this is necessary to meet threats to Trujillo's regime from Dominican exiles and their allies abroad. Under our 1944–47 policy of official disapproval of Trujillo's regime as dictatorial, the Dominican Government was barred from obtaining export licenses for arms in the United States, although it would have preferred to obtain equipment here. Consequently, it obtained substantial quantities of arms elsewhere, while in turn exhibiting a cool attitude towards us. It has been our policy since the middle of 1947 to license the export of reasonable quantities of arms, aircraft, and vessels to the Dominican Republic from commercial sources. The views of the Dominican Government as to what is reasonable have not, however, always coincided with ours, but not to the extent of raising

any serious barrier to basically friendly relations. We made available a small amount of ground and naval equipment from US surplus stocks in accordance with the "interim" program formulated on the basis of the 1945 military staff conversations with the other American republics, and are willing within the limitations of available supplies to consider Dominican requests under the Mutual Defense Assistance Act.[1] The Dominican Republic is now the best armed of the Caribbean and Central American republics.

The achievement of our second objective—the development of an appreciation of representative government—poses an extremely difficult problem, in view of our policy of non-intervention in the internal affairs of other friendly countries and the impossibility in any case of imposing democracy from the outside. As a matter of fact, the Dominican Republic offers a classic example of the truth of the latter proposition. From 1916 to 1924 while we were in complete control of the Dominican Republic, we endeavored to pave the way for the Dominicans themselves to establish genuine representative and democratic government in the Dominican Republic. The ostensibly democratic government which assumed power through a free election upon the withdrawal of the US Marine occupation force lasted only six years before Trujillo seized power in 1930.

Policies which we are following to achieve our second objective include: 1) an effort, through the USIE program's portrayal of life in the United States, to bring to the Dominican people an understanding of what the democratic way of life can mean; 2) cooperation in projects for the improvement of economic, health, and educational conditions, in order to provide a foundation on which effective democracy can be based; and 3) our efforts to promote international stability and thereby to remove any basis for the claim that a "strong man" is necessary to keep the Dominican Republic safe from outside attack. We do not permit the fact that the Dominican Government is an absolute dictatorship to prevent us from maintaining normal relations with it and treating it in basically the same general manner as we do all the other American republics. Nevertheless, we refrain from positive steps which would be widely interpreted as a demonstration of warm friendship for Trujillo and his regime, such as, for example, an official invitation to him to visit the US.

In an effort to promote the economic development of the Dominican Republic it is our policy to encourage the Dominican Government to provide a favorable climate for foreign private investment, and to encourage private US investors to give full consideration to the Dominican Republic as a field for investment. At the same time we are

[1] For text of the Mutual Defense Assistance Act (Public Law 329), approved October 6, 1949, see 63 Stat. 714.

prepared to discuss frankly and confidentially with potential private investors the political and other circumstances affecting the security of investments in the Dominican Republic. The present value of private US investments approximates $120 million. We are not averse to the investment of non-US private foreign capital in the Dominican Republic on an equal footing with US capital. Requests to US Government agencies for financial assistance will be considered according to the criteria of economic justification and the availability of private capital.

It is also our policy to give sympathetic consideration, within the framework of the Point IV program and the expanded UN Technical Assistance program to requests of the Dominican Republic for technical assistance[2] in justifiable fields of activity. The Dominican Republic has not been the recipient of as much technical and financial assistance from the US Government as have many other American republics. While it would undoubtedly benefit from such assistance, its government has preferred to develop the country through a policy of vigorous economic self-improvement and the investment of private foreign capital on a contract or concession rather than a loan basis. Save for the small unpaid balance of an Export–Import Bank loan of $3 million granted in 1940 for construction purposes, and being liquidated with regular payments, the Dominican Government has no foreign debt. It tends to regard foreign loans and large scale technical assistance programs as implying a kind of economic inferiority and vassalage. Its views in this connection are conditioned by the Republic's unfortunate experience with foreign loans, which resulted in the establishment of the previously mentioned US Government restrictions on Dominican financial sovereignty from 1905–1947.

A further factor in this independent policy of economic development has been relatively favorable conditions in the Dominican Republic in comparison with other Caribbean island areas with respect to such matters as density of population and continued availability of agricultural resources in this basically agricultural country. The Dominican Republic has not, therefore, presented us with a chronic economic problem as have certain other countries and regions in this area of primary interest to us. Aside from the already mentioned $3 million Export–Import Bank loan of 1940, US Government assistance in recent years has been limited to the assignment of a relatively few US technical experts to the Dominican Republic and the training of a similar number of Dominican technicians in the United States, and to small health and education programs conducted by the Institute of

[2] For documentation concerning United States technical assistance policy toward the American Republics as a group, see pp. 1038 ff.

Inter-American Affairs.[3] The former program terminated in 1947, and the latter in 1948, although it has recently been revived as a vocational training program. It is anticipated, however, that US technical cooperation will be expanded under the Point IV program, in which the Dominican Government has evinced an interest, and to this end we have signed a Point IV General Agreement with the Dominican Government.[4]

It is our policy to cooperate with the Dominican Government in all possible ways to encourage and increase trade between the United States and the Dominican Republic. We encouraged the Dominican Republic to become a party to the General Agreement on Tariffs and Trade (GATT)[5] and to this end were one of several countries which conducted trade negotiations with her at Annecy in 1949[6] resulting in her accession to GATT in 1950. Limited negotiations were also carried out at Torquay in 1950–51[7] with the Dominican Republic.

The principal Dominican interest in its economic relations with the United States is a large scale opening of the US market to Dominican sugar, the country's largest export. The preferential tariff treatment granted Cuba has since 1902 operated to the distinct disadvantage of the Dominican sugar industry. When the sugar import quota system was established by the Congress in the Sugar Act of 1934,[8] imports of sugar from the Dominican Republic and other "full-duty" countries were virtually barred. Cuba's preferential position was maintained in

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[3] The Institute of Inter-American Affairs (IIAA) was established in 1942 and became a United States Government corporation in 1947. Its purpose was to aid governments in the Western Hemisphere by promoting technical programs and projects for health, sanitation, and food supply; as of mid-1950 the IIAA operated in conjunction with the Technical Cooperation Administration (TCA) in Latin America. For background information on the IIAA, see the statement made by Assistant Secretary of State for Economic Affairs Willard L. Thorp before the Senate Foreign Relations Committee on June 10, 1949, printed in the Department of State *Bulletin*, June 19, 1949, pp. 795–797. For information on the activities of the IIAA and its relationship with TCA in 1950, see the editorial note in *Foreign Relations*, 1950, vol. II, p. 679.

[4] By an exchange of notes dated February 20, 1951, at Ciudad Trujillo, the United States and the Dominican Republic had concluded a Point IV General Agreement for Technical Cooperation, which entered into force on the same date. The notes were transmitted to the Department of State under cover of despatch 532, from Ciudad Trujillo, February 21, 1951, not printed (839.00–TA/2–2151). For text, see TIAS No. 2226, or 2 UST 709.

[5] For text of the General Agreement on Tariffs and Trade (GATT), concluded at Geneva on October 30, 1947, and entered into force for the United States, January 1, 1948, see TIAS No. 1700, or 61 Stat. (pts. 5 and 6).

[6] For documentation on trade negotiations under the GATT at Annecy, see *Foreign Relations*, 1949, vol. I, pp. 651 ff.

[7] For documentation on trade negotiations under the GATT at Torquay, England, see *ibid.*, 1950, vol. I, pp. 791 ff.

[8] Reference is to Public Law 213, approved May 9, 1934, which amended the Agricultural Adjustment Act of May 12, 1933 (Public Law 10) to include sugar beets and sugar cane as basic agricultural commodities and to establish import quotas for these products. For text of P.L. 213, see 48 Stat. 670; for text of P.L. 10, see 48 Stat. 31.

the Sugar Act of 1937 [9] and increased in the Sugar Act of 1948.[10] For the foregoing reasons, Dominican sugar has traditionally found a market in Great Britain and, because the war stimulated a boom in world demand for sugar, the Dominican sugar export situation has been favorable in recent years. However, with the increasing production of sugar in the British Commonwealth and the growing uncertainty regarding the continued availability of dollars for British or other European purchases of Dominican sugar exports, as well as with the Dominican realization of dependence on the United States as the supplier of approximately 75% of Dominican imports and the consequent need for dollar exchange, there has recently been a concerted effort on the part of Dominicans to obtain a fundamental change in our sugar policy, so that the Dominican Republic will ultimately be able to dispose of a good share of its sugar output in the US market. In accordance with our policy looking toward eventual elimination of tariff preferences in world trade the United States has reduced somewhat the margin of tariff preference enjoyed by Cuba on sugar [11] while the preferences on a number of other products (mostly, however, unimportant ones) have been eliminated entirely.

With respect to an increase in the quota for Dominican sugar, we have been sympathetic to the Dominican problem in this connection, and with the Department of Agriculture recommended to the Congress an approximate 300% increase in the small quota for all full duty countries, including the Dominican Republic, when new sugar legislation was under consideration in the summer of 1951. Although enacted into law,[12] this change, which beginning in 1953 would increase the basic Dominican quota from 5,468 tons to 29,469 tons at the present level of US consumption, does not satisfy the Dominican authorities, who asked for a quota of 250,000 tons.[13]

In efforts to achieve our objective of promoting mutual understanding and friendship between the peoples of the Dominican Republic and the United States, we pursue the policy of informing the Dominican people about the United States and its people through our program of International Information and Educational Exchange. This entails an active press, radio, and motion picture program. In

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[9] For text of the Sugar Act (Public Law 414), approved September 1, 1937, see 50 Stat. 903.

[10] For text of the Sugar Act (Public Law 388), approved August 8, 1947, see 61 Stat. 922.

[11] For documentation on the negotiations in 1951 between the United States and Cuba concerning sugar, see pp. 1329 ff.

[12] Reference is to Public Law 140, approved September 1, 1951, which amended and extended the Sugar Act of 1948; for text of P.L. 140, see 65 Stat. 318.

[13] Documents pertaining to Dominican interest in an increased sugar quota are contained in Department of State decimal file 839.235.

There is considerable unpublished documentation on the Cuban sugar preference question and its ramifications in United States trade relations in decimal file 560 AL, and in International Trade Files, Lot 57 D 284, boxes 108–109, and 128–132 (the 1949 GATT meetings at Annecy, France).

view of the strong *de facto* censorship existing in the Dominican Republic with respect to matters distasteful to the Government, our information program there is directed to themes which we feel will not arouse the opposition of the Government (as, for example, might a direct portrayal of the advantages of democracy over dictatorship) and perhaps result in difficulties for USIE activities in the Dominican Republic. We sponsor, with the Dominican Government, a Dominican-US Cultural Center in Ciudad Trujillo, which is actively supported both by Dominican cultural and official leaders and by American citizens resident in Ciudad Trujillo. The Center provides a meeting place for Dominicans and Americans interested in learning more of each other's culture through lectures, extensive library facilities, the teaching of English, and various other means. We have from time to time sent US professors and lecturers to the Dominican Republic for the purpose of teaching their specialties or imparting to Dominicans information about the United States. Many Dominican students, intellectual leaders, and technicians have also visited the United States to pursue their studies and specialties, some of them under our student exchange and travel grant program.

Our fifth objective—the improvement of relations between the Dominican Republic and its neighbors—is given particular import by virtue of the fact that during the past several years the Dominican Republic has been directly involved, both as an intended victim and as a participant, in a series of plots and counter plots directed against various governments of the Caribbean area by political exiles and adventurers, with the support at times of other governments in the area in violation of international obligations. The result was a mounting international tension and deterioration of relations between certain countries, including relations between the Dominican Republic on the one hand, and Cuba, Guatemala, Haiti, and at times Venezuela and Costa Rica on the other. It is our policy in the achievement of this objective to endeavor, both through appropriate direct representations and through our membership on OAS bodies dealing with these matters, to encourage these countries to work towards this end; through the latter means we also expect to prevent and punish possible violations of international obligations in connection with such conspiracies and thereby to diminish international tension in the area.

C. RELATIONS WITH OTHER STATES

As already indicated, among the foreign relations of major concern to the Dominican Republic are those with certain of its neighbors. The state of these relations is determined primarily by the attitudes and activities of other governments toward the Trujillo regime, and vice versa, or by Trujillo's beliefs concerning these attitudes and activities. He has believed at various times, with some reason, that certain ele-

ments, if not government officials, in Cuba, Guatemala, Haiti, Venezuela, Costa Rica, and Mexico have been allied with Dominican exiles in the latter's unceasing propaganda campaign against him, as well as in the organization of two armed expeditions to unseat him. On the other hand, certain Dominican officials have participated in the past few years in similar movements directed against other countries in the Caribbean area.

Relations with Haiti have historically presented the greatest difficulties for the Dominican Republic. There is a constant underlying strain on these relations owing to historical and racial factors and to population pressure from Haiti on the much less densely settled Dominican Republic. In 1937 the Dominican authorities perpetrated a wholesale massacre of Haitian peasants who had infiltrated into the Dominican Republic.[14] Early in 1950 certain Dominican officials were found by a special investigating committee of the OAS to have been involved several months before in a plot to overthrow the Haitian Government.[15] On the other hand, a basic Dominican fear has been that Haitian territory will be used as a base of operations for revolutionary activities against it. Although the same OAS Investigating Committee was unable to confirm any factual basis for such Dominican fears in the several immediately preceding years, there were later reports tending to confirm to a certain degree Dominican apprehensions at that time. Since the overthrow of the Estimé [16] regime in Haiti in May 1950,[17] Trujillo has felt much less apprehension on this score, and there has been a gradual improvement of relations, including a meeting between Presidents Trujillo and Magloire [18] and their joint declaration that they would work towards agreements on several matters of common interest and a strengthening of economic and cultural ties between the two countries.

Dominican relations with Cuba and Guatemala have been particularly strained in recent years owing to the organization within their respective territories of two military expeditions by Dominican exiles and other anti-Trujillo elements, as confirmed by the aforementioned report of the OAS Caribbean Investigating Committee early in 1950. The expedition, organized in Cuba in 1947, had the active support of certain high Cuban Government officials and was tolerated for several months by the Cuban Government, in violation of Cuba's international

[14] For documentation on the tender of good offices by the United States, Cuba, and Mexico to conciliate differences between the Dominican Republic and Haiti arising from this incident, see *Foreign Relations*, 1937, vol. v, pp. 133–141.

[15] For documentation concerning United States support of inter-American collective action for peaceful settlement of disputes, with particular reference to the Caribbean area, see *ibid.*, 1950, vol. II, pp. 641 ff.

[16] Dumarsais Estimé, President of Haiti, 1946–1950.

[17] For documentation on this subject and the recognition of the new government in Haiti, see *Foreign Relations*, 1950, vol. II, pp. 932 ff.

[18] Paul E. Magloire, President of Haiti.

obligations. Although the expedition was eventually broken up by the Cuban armed forces, and the OAS in April 1950 condemned Cuba's part in it, relations between the two countries have continued to be strained owing to: 1) the Dominican Government's feeling that the Cuban Government has failed to give complete satisfaction for Dominican grievances arising out of Cuban toleration of the expedition; 2) the Cuban Government's apparent sympathy for the objectives of Trujillo's enemies and the Dominican Government's belief that the Cuban Government is actively cooperating with anti-Trujillo elements to undermine Trujillo's position; 3) continued anti-Trujillo propaganda and other activities in Cuba short of actual organization of another military expedition; 4) a vociferous and manifest public hostility to the Dominican Government in Cuba; 5) alleged threats to the physical safety of the personnel of the Dominican diplomatic mission in Habana; and 6) rivalry between the two countries over their respective shares of the US sugar quota.

Relations with Guatemala have likewise continued strained since the June 1949 organization in that country of an air expedition against the Dominican Republic, one plane of which actually arrived in and attacked Dominican territory. Despite the failure of the expedition, the Guatemalan Government has continued its policy of open hostility towards the Trujillo regime and friendship for its foes. The Guatemalan Government, and the Costa Rican Government as well, have not maintained diplomatic relations with the Dominican Government for a number of years because of their openly stated enmity to dictatorship of the Trujillo type. In large part because of their common enmity towards Guatemala and lack of friendship for Costa Rica, Trujillo and President Somoza[19] of Nicaragua, both dictators, feel a natural affinity and have long maintained friendly relations.

Diplomatic relations between Venezuela and the Dominican Republic were resumed after the ousting in 1948 of Venezuela President Betancourt,[20] who Trujillo thought was cooperating in plotting against him, and there has been a cessation of Dominican charges that the Venezuelan Government was aiding and abetting Dominican exiles in revolutionary activities. Such charges continue to be made from time to time against the exiled leaders of the Betancourt Acción Democrática Party.

Relations with the UK have been of significance because the UK is the traditional market for Dominican sugar and the British Government for several years has purchased virtually all Dominican sugar exports, more recently with ECA financing. During the years 1946–49, the UK was the source of a number of military aircraft and warships obtained by the Dominican Government. Such military transactions

[19] Anastasio Somoza García.
[20] Rómulo Betancourt.

were of particular significance to us as a source of dollars for Great Britain, but on the other hand ran counter to the objective of standardization of western hemisphere armament with US equipment.

Trujillo feels a personal and ideological affinity with General Franco [21] of Spain, and strongly opposed the UN 1946 resolution [22] on Spain. In the Fifth Regular Session of the General Assembly in 1950, the Dominican Republic was one of the governments sponsoring the resolution which modified the 1946 action.[23] The United States voted for this resolution. Shortly after the close of the Spanish Civil War, in an effort to impress world opinion that the Dominican Republic was willing to receive the oppressed, as well as to encourage white immigration, Trujillo had offered haven to a considerable number of Spanish Republican refugees, most of whom were later glad to leave the Dominican Republic.

The Dominican Republic has no relations with the USSR and is outspokenly anti-Communist. Trujillo regards himself as a hemisphere leader against Communism, and refers to all his enemies, Communists and non-Communists alike, as Communists. The Dominican Government has from time to time indicated its willingness to support the United States and the United Nations in anti-Communist measures.

D. POLICY EVALUATION

US policy with respect to the Dominican Republic can be considered to be successful in view of the almost unqualified Dominican Government support for our international objectives, and its willingness to cooperate with us in practically any matter in which we request its cooperation. One notable exception to date has been the Dominican Government's failure to contribute to UN military forces, allegedly because of the need to maintain all its forces at home for defense against a possible attack from outside by the forces of "international communism" (i.e., anti-Trujillo Dominican exiles and their sympathizers). In addition, there are certain factors which, while not preventing basic Dominican support of our international objectives, irk the Dominican Government and cause it some chagrin. One of these factors is anti-Trujillo publicity in the United States. Another is the movement of anti-Trujillo Dominicans in and out of the United States. The Dominican Government believes we should prevent both of these

[21] Francisco Franco Bahamonde, Spain's Chief of State.

[22] Reference is to Resolution No. 39 (I) of the General Assembly of the United Nations, dated December 12, 1946. For text, see United Nations, *Official Records of the General Assembly, First Session, Resolutions Adopted by the General Assembly During the Second Part of its First Session From 23 October to 15 December 1946*, pp. 63–64.

[23] Reference is to Resolution No. 386 (V), dated November 4, 1950. For text, see United Nations, *Official Records of the General Assembly, Fifth Session, Resolutions adopted by the General Assembly during the period 19 September to 15 December 1950*, Supplement No. 20 (A/1775), pp. 16–17.

types of activity in the interest of good US–Dominican relations. We have told the Dominican Government that while we are prepared to and will enforce US statutes which forbid activities against the security of foreign governments or activities which in their operation might have an adverse effect on such governments, we cannot undertake to limit the free activities or movements of anti-Dominican Government individuals, whether US citizens or aliens, which are not in violation of US law.

Another factor which has affected the Dominican Government's general attitude towards us has been its dissatisfaction at times with our refusal to approve certain arms exports, or with what it regards as delay in the issuance of export licenses. At the same time we are frequently attacked by liberals and anti-Trujillo elements for permitting the export of armament to the Dominican Government. There are admittedly arguments on both sides with regard to the desirability of permitting arms to go to the Dominican Republic from the United States but on balance our present policy of licensing the export of reasonable quantities of arms from commercial sources and of according the Dominican Government opportunity to share in available supplies of military equipment under the Mutual Defense Assistance Act is justifiable if we are to maintain officially friendly relations with the Dominican Government and secure its cooperation in matters of interest to us. Our efforts to persuade the Dominican Government to rely primarily on the OAS and the United Nations for the military defense of the Dominican Republic against aggression have met with only limited success. We have pointed out in this connection that the Dominican Government could more profitably use its resources for the material development of the country than for armaments. The Dominican Government, while agreeing with us in principle and recently stabilizing or even reducing its rate of expenditures for this purpose, feels that it must have adequate means to defend itself against possible further expeditions which may be organized against it abroad.

With respect to our second objective it is obvious that no observable progress has been made towards the democratization of the Dominican Republic. There is no evidence so far of the Dominican Republics' turning from dictatorship while Trujillo maintains control, and he is firmly in the saddle with apparently excellent health. On the other hand, democracy is the Dominican ideal, and even Trujillo portrays himself as a democratic leader and his country as one where full civil and political rights prevail. We are under constant attack by liberals in this and other countries and by Dominican political exiles for maintaining normal diplomatic relations with Trujillo. However, unless we are prepared forcibly to remove Trujillo—and such a step would be clearly contrary to our non-intervention commitments—a policy of other than normal relations would merely antagonize him, as has been

the case in past efforts to apply such a policy, without removing him or advancing the cause of democracy in the Dominican Republic. In certain cases where a policy of discrimination against Trujillo would involve a withholding of concrete benefits to the Dominican Republic, such discrimination would injure the Dominican people in equal if not greater degree.

With respect to our third objective, the Dominican Government regards our policy towards its desire for a larger share of the US sugar market as the basic yardstick for measuring our willingness to take positive steps to cooperate with it in economic matters. Regardless of how much technical assistance we may be willing to make available to the Dominican Republic under Point IV, the Dominican Government will undoubtedly feel in increasing degree that unless we make a more substantial gesture in this direction than we have to date, we are discriminating against it in a matter of prime economic importance to it, and its general attitude towards us will be affected accordingly.

Despite the progress made by the Dominican Republic in economic development, health, and education in the past 20 years, there remains much to be done to bring it up to the economic levels of the more developed of the other American republics. A principal factor in achieving this objective will continue to be the investment of private foreign (i.e., mainly US) capital in worthwhile lines of endeavor. In connection with our objective of promoting and protecting legitimate US business and investments in the Dominican Republic we have been successful in the main in preventing discrimination against American interests; there is, in fact, a tendency for the Dominican Government to accord American interests better treatment than that accorded Dominican or other foreign nationals, precisely because we have been zealous in guarding our citizens' interests. Threats to the security of foreign investment in the Dominican Republic arise primarily not from discriminatory treatment against foreigners but from abuses which are suffered by the entire populace—Dominicans and foreigners alike—with the exception of the privileged few. The basic fact is that economic activity in the Dominican Republic must adjust itself to the existence of an officially sponsored system of tribute and favoritism, which is used to further the business interests of those having official blessing and to injure those not having such blessing.

With reference to our fourth objective it is difficult to judge the extent to which mutual understanding and friendship between the US and Dominican peoples has been achieved. In particular it is difficult to know to what extent the masses of the population are aware of and friendly to the US. One reason for this is that in the absence of a free press, free expression of opinion, and free elections, there is no way of measuring their attitude. Nevertheless, it seems likely that

among Dominican intellectual, business, and professional leaders, many of whom have visited the US or have come into frequent contact with US citizens in the Dominican Republic, the sentiment towards the US is predominantly friendly. However, inasmuch as certain Dominicans have been subjected to segregation practices in the US because of their color, they and other Dominicans of the same color have become unfriendly towards us. Anti-Trujillo Dominicans, including individuals within the country who are willing to speak freely with Embassy representatives and other trusted US citizens, as well as exiles outside the country, usually exhibit varying degrees of impatience with, or even hostility to, the US because they think we are remiss in not ridding the Dominican Republic of Trujillo or at least in not instituting a partial or thorough boycott of his regime.

The achievement of our fifth objective must be measured in both short and long run terms. With respect to efforts to ameliorate the international tension of the past five years in the Caribbean and to improve relations between the Dominican Republic and other Caribbean and Central American republics, real progress has been made in that this tension has abated and there is no real evidence of a renewal of government assistance to or toleration of military activities directed towards the overthrow of other governments in the area. Not only has such positive governmental support of anti-Trujillo elements apparently ceased, but Dominican Government officials do not appear to be sponsoring plots or conspiracies against other governments. On the other hand, mutual antipathies continue to exist as between the Dominican Government and the governments of Cuba and Guatemala, and it does not appear that there can be friendship between their respective regimes in view of the severe ideological differences between them (i.e., "dictatorship" versus "democracy") and the sympathy of the Cuban and Guatemalan regimes for Trujillo's enemies.

With specific reference to Dominican-Haitian relations, any basic improvement is a long run matter, although from time to time relations may improve temporarily. The Dominican Government and people have a tendency to feel that they should have our support in what they regard as their defense of Christian civilization against engulfment by the African barbarism and paganism of Haiti. They view our efforts to maintain an objective and unbiased attitude towards Dominican-Haitian relations as favoritism towards Haiti.

Nonetheless, despite the difficulties which prevent full achievement of our objectives vis-à-vis the Dominican Republic, and make impossible perfect US-Dominican harmony, there is no doubt that under its present government the Dominican Republic will be found on our side in most important international issues and in any basic world controversy.

739.5–MSP/12–2151

The Secretary of State to the Secretary of Defense (Lovett)[1]

SECRET WASHINGTON, December 21, 1951.

DEAR MR. SECRETARY: Reference is made to Acting Secretary Webb's letter to you of November 9, 1951[2] in which he expressed the approval of this Department of the list of Latin American countries to be submitted to the President for the negotiation of military grant aid agreements pursuant to section 401 of the Mutual Security Act of 1951.[3]

Although the Dominican Republic is included in the program as a second alternate for preparation of an air force unit, it is not included in the list of countries to be approached initially concerning military grant aid agreements, despite the Department of State's understanding that the Dominican Republic is regarded by the Department of Defense to have military potential to contribute to hemisphere defense. It is anticipated that this omission, if not counteracted in timely fashion, will be regarded by the Dominican Republic as an act of discrimination against it, particularly since Cuba, with which country the Dominican Republic's relations are currently strained, is one of those countries with which it is contemplated that such an agreement will be negotiated in the first instance. Such an adverse reaction on the part of the Dominican Republic might diminish its willingness to cooperate with us in activities of mutual defense and, specifically, in implementation of the recently signed agreement with regard to the use of Dominican territory for testing guided missiles.

It is accordingly suggested that the Department of Defense, without altering the determination regarding the negotiations with prospective Latin American recipients of military grant aid during fiscal year 1952, give consideration to the possibility of negotiating in the first instance rather than alternatively with the Dominican Republic regarding participation in any program for military grant aid in furtherance of hemisphere defense during fiscal year 1953 and subsequent years.

Furthermore, it is believed that immediate attention should be given to the desirability of making a general approach regarding military

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[1] This letter was originally drafted on December 11, 1951, by the Officer in Charge of Special Political Problems, Office of Regional American Affairs (Jamison) and Mr. Hauch; it was redrafted on December 18, by the Deputy Assistant Secretary of State for Inter-American Affairs (Mann) and the Acting Officer in Charge of Caribbean Affairs, Office of Middle American Affairs (Wellman). Assistant Secretary Miller concurred in the redraft.

[2] *Ante*, p. 1027.

[3] For text of the Mutual Security Act (Public Law 165) approved October 10, 1951, see 65 Stat. 373.

cooperation for hemisphere defense to the Dominican Republic at approximately the same time that negotiations for military grant aid are being initiated with other Latin American countries. To this end, I believe it would be helpful for Ambassador Ackerman to be authorized to discuss this matter with appropriate Dominican officials along the following lines:

1. The Dominican Republic constitutes in our view an important potential element in hemisphere defense, and we are giving careful consideration to the contribution which it might be requested to agree to make in accordance with common defense plans.

2. Since the United States has in recent years had no armed service mission in the Dominican Republic, it has not been in the same advantageous position to survey and assess the value of Dominican armed forces and facilities as in the case of those countries with which negotiations are now being conducted for military grant aid agreements. The United States Government would welcome any suggestions from the Dominican Government as to the best way to make this survey and assessment.

3. In the meantime, an effort will be made, within the existing critical supply situation and to the extent compatible with United States defense requirements, to comply with requests of the Dominican Republic for the purchase of equipment or material which would help to put the Dominican armed forces in readiness for a role in hemisphere defense.

4. Consideration is being given to possible ways in which Dominican arms production facilities might be used in a collective defense effort.

The Department would like to point out that discussions by Ambassador Ackerman along the foregoing line should facilitate any negotiations which it might subsequently be desired to undertake with the Dominican Government in connection with the military grant-aid program, and the failure to hold discussions of this general nature with the Dominican Government while initiating negotiations with other countries, particularly Cuba, would probably be prejudicial to the success of any subsequent approach to the Dominican Government for negotiation of a Military Assistance Agreement.

The Department would appreciate receiving the views of the Department of Defense at the earliest opportunity [4] in order that appropriate instructions may be sent to Ambassador Ackerman.

Sincerely yours,

For the Secretary of State:
H. Freeman Matthews
Deputy Under Secretary

[4] No response was received from the Department of Defense in 1951.

103-XMB/12-2651

Memorandum by Mr. Phil R. Atterberry of the Office of Financial and Development Policy to the Director of That Office (Stinebower)

RESTRICTED [WASHINGTON,] December 26, 1951.

Subject: Agenda for Meeting of Board of Directors, Eximbank, December 27, 1951.

1. Minutes of Regular Meeting of December 19, 1951. To be received.
2. Minutes of Regular Meeting of December 14, 1951. To be approved.

For Action

[Here follows discussion of a matter unrelated to the Dominican Republic.]

4. *Dominican Republic—Textile Mill.* Textilera Dominicana, C por A, a privately-owned corporation, organized under the laws of the Dominican Republic, has submitted a request for Eximbank participation with Conferation Life Association, Toronto, Canada, for a credit of $900,000 to finance the expansion and modernization of the applicant's cotton mill located in Ciudad Trujillo. The insurance company is willing to participate in this project on a 50–50 basis with the Eximbank. The total cost of the pending program is estimated at $1,330,000. Capital required in addition to the requested loan is to be raised by the sale of stock to the present stock holders.

The Eximbank staff committee recommends that the application be denied inasmuch as the project appears to be uneconomic in the absence of protective duties.

The Department is divided in its position on this question. ARA holds that an application for Eximbank assistance in financing the expansion of an industry should not be denied on the grounds that the industry cannot be operated at a profit without a protective tariff. That is to say, the denial of Eximbank funds to beneficiary of protective duties would seriously interfere with U.S. assistance in the promotion of industrial development in Latin America.[1]

On the other hand, ED believes that if an industrial enterprise cannot produce profitably without excessive tariff protection after the modernization program is completed, its expansion should not be encouraged. The Dominican Republic import duties on cotton textiles,

[1] In a memorandum to Assistant Secretary Thorp, drafted by the Deputy Director of the Office of Middle American Affairs, Roy R. Rubottom, Jr., and Mr. Wellman, dated December 18, 1951, Assistant Secretary Miller stated that ARA had no objections on political grounds to the Export–Import Bank's consideration of the loan application, and that rejection of the loan might have an unwanted effect on the Dominican Government's attitude toward compliance with its part of the LRPG Agreement (103-XMB/12-1851).

which are reported to average more than 75% of the cost of the foreign product, appear excessive in comparison with, for example, Cuban duties of 25 to 40% and U.S. average of 25%. ED believes that the extent of protection needed, after the modernization program is completed, should be clearly established before action is taken on this application.

Recommendation: Although this is listed for action, the Department has not yet received a report of the Eximbank staff committee's review of the protective tariff question, which the members of the Board requested at last week's meeting.

[Here follows discussion of other matters.]

103-XMB/12-2951

Memorandum of Conversation, by the Assistant Chief of the Investment and Economic Development Staff (Gorlitz)

[WASHINGTON,] December 29, 1951.

Subject: Eximbank Loan Application of Textilera Dominicana

Participants: Messrs. Rowntree, Jordan and Walker, Eximbank
ARA—Messrs. Hoover [1] and Hauch, Mrs. Hood [2]
ED—Mr. Gorlitz

At the Eximbank Board meeting of December 27, it was decided to have the staffs of the Bank and the Department discuss a revision of the Bank staff's memorandum [3] on the loan application of Textilera Dominicana. In accordance with that decision, the above group met to exchange views.

The Department representatives indicated that, as Mr. Thorp has said at the last Board meeting, that the Department was not pressing for either approval or denial of this application. Rather it was interested in having the record show clearly the reasons for either approval or denial. There was a general feeling that the latest version of the Bank staff's memorandum did not hang together internally and that its conclusions were not supported by the factual data in the memorandum.

The Bank representatives admitted that the memorandum left much to be desired. They asked, however, for specific suggestions from the Department.

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[1] John P. Hoover.
[2] Amelia H. Hood, Office of Middle American Affairs.
[3] Not found in Department of State files.

Mrs. Hood of MID, then pointed out several misinterpretations of fact and errors in the text. For example, she mentioned that the tariff had not been increased in 1949. She also questioned whether an average ad valorem equivalent of the Dominican tariff could easily be figured out, whether judging by the table of U.S. and Dominican prices the tariff average could be as high as 75 percent. In addition, she mentioned that the temporary closing of Textilera Dominicana was not simply because of its inability to compete with imported textiles. Also involved were its large unsold inventories of cotton goods, large stocks held by drygoods' merchants and increasing unemployment and depressed state of business in general. She also indicated that many textile mills in the U.S. shut down in 1949 because of large inventories and consumer resistance to high prices. The Bank representatives were glad to receive these and several other points Mrs. Hood raised and said that they would take them into account when revising their memorandum.

In discussing further the reasons which lay behind the recommendation to turn down this application, it developed that the inability of Textilera Dominicana to compete with imported textiles without some degree of tariff protection was only a subsidiary argument. Even the argument that private capital was available as shown by the establishment of two other textile plants in the Dominican Republic did not appear to be the central one. The Bank representatives felt rather that the Board's opposition to the granting of this credit was based upon its general belief that the textile industry, especially in Latin America, was one eminently suited for exploitation by private capital and that only in special instances was it justifiable to invest U.S. Government funds in such enterprise.

The group then agreed that that general argument appeared to be the most defensible basis for denial of the credit if the Bank intended to turn it down. Everyone agreed that the staff memorandum should be completely revised to stress the policy reasons for the Bank action, while mentioning briefly subsidiary arguments such as the probable availability of private capital, the need for tariff protection and Bank suspicion of manipulation of cost and profit data by the applicant to show the most favorable prospect.

There was no misunderstanding of the position of the Department representatives in discussing this matter with the Bank staff. They were simply discussing the Bank staff memorandum and were not committing the Department to support any position the memorandum might recommend.[4]

[4] On January 10, 1952, the Board of Directors of the Export-Import Bank denied the loan application of Textilera Dominicana (103–XMB/1–1252).