

CONDITIONS IN NICARAGUA

MESSAGE

FROM

THE PRESIDENT OF THE UNITED STATES

TRANSMITTING

TO THE CONGRESS OF THE UNITED STATES
THE CONDITIONS AND THE ACTION OF THE
GOVERNMENT IN THE PRESENT DIS-
TURBANCES IN NICARAGUA



JANUARY 10, 1927.—Referred to the Committee on Foreign Affairs
and ordered to be printed

WASHINGTON
GOVERNMENT PRINTING OFFICE
1927

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JANUARY 10, 1907.—The President of the United States has the honor to transmit to the Congress the following report, and to request its publication.

WASHINGTON:
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MESSAGE

To the Congress of the United States:

While conditions in Nicaragua and the action of this Government pertaining thereto have in general been made public, I think the time has arrived for me officially to inform the Congress more in detail of the events leading up to the present disturbances and conditions which seriously threaten American lives and property, endanger the stability of all Central America, and put in jeopardy the rights granted by Nicaragua to the United States for the construction of a canal. It is well known that in 1912 the United States intervened in Nicaragua with a large force and put down a revolution, and that from that time to 1925 a legation guard of American marines was, with the consent of the Nicaraguan Government, kept in Managua to protect American lives and property. In 1923 representatives of the five Central American countries, namely, Costa Rica, Guatemala, Honduras, Nicaragua, and Salvador, at the invitation of the United States, met in Washington and entered into a series of treaties. These treaties dealt with limitation of armament, a Central American tribunal for arbitration, and the general subject of peace and amity. The treaty last referred to specifically provides in Article II that the Governments of the contracting parties will not recognize any other government which may come into power in any of the five Republics through a coup d'état or revolution and disqualifies the leaders of such coup d'état or revolution from assuming the presidency or vice presidency. Article II is as follows:

"Desiring to make secure in the Republics of Central America the benefits which are derived from the maintenance of free institutions and to contribute at the same time toward strengthening their stability, and the prestige with which they should be surrounded, they declare that every act, disposition or measure which alters the constitutional organization in any of them is to be deemed a menace to the peace of said Republics, whether it proceed from any public power or from the private citizens.

"Consequently, the Governments of the Contracting Parties will not recognize any other Government which may come into power in any of the five Republics through a coup d'état or a revolution against a recognized Government, so long as the freely elected representatives of the people thereof have not constitutionally reorganized the country. And even in such a case they obligate themselves not to acknowledge the recognition if any of the persons elected as President, Vice-President or Chief of State Designate should fall under any of the following heads:

"1) If he should be the leader or one of the leaders of a coup d'état or revolution, or through blood relationship or marriage,

be an ascendent or descendent or brother of such leader or leaders.

"2) If he should have been a Secretary of State or should have held some high military command during the accomplishment of the coup d'état, the revolution, or while the election was being carried on, or if he should have held this office, or command within the six months preceding the coup d'état, revolution, or the election.

"Furthermore, in no case shall recognition be accorded to a government which arises from election to power of a citizen expressly and unquestionably disqualified by the Constitution of his country as eligible to election as President, Vice-President or Chief of State designate."

The United States was not a party to this treaty, but it was made in Washington under the auspices of the Secretary of State, and this Government has felt a moral obligation to apply its principles in order to encourage the Central American States in their efforts to prevent revolution and disorder. The treaty, it may be noted in passing, was signed on behalf of Nicaragua by Emiliano Chamorro himself, who afterwards assumed the presidency in violation thereof and thereby contributed to the creation of the present difficulty.

In October, 1924, an election was held in Nicaragua for President, Vice President, and members of the Congress. This resulted in the election of a coalition ticket embracing Conservatives and Liberals. Carlos Solorzano, a Conservative Republican, was elected President and Juan B. Sacasa, a Liberal, was elected Vice President. This Government was recognized by the other Central American countries and by the United States. It had been the intention of the United States to withdraw the marines immediately after this election, and notice was given of the intention to withdraw them in January, 1925. At the request of the President of Nicaragua this time was extended to September 1, 1925. Pursuant to this determination and notice, the marines were withdrawn in August, 1925, and it appeared at that time as though tranquillity in Nicaragua was assured. Within two months, however, further disturbances broke out between the supporters of General Chamorro and the supporters of the President, culminating in the seizure of the Loma, a fortress dominating the city of Managua. Once in possession of the Loma, General Chamorro dictated an agreement which President Solorzano signed the next day. According to the terms of this agreement the President agreed to substitute supporters of General Chamorro for certain members of his cabinet, to pay General Chamorro \$10,000 for the expenses of the uprising, and to grant amnesty to all those who participated in it. Vice President Sacasa thereupon left the country. In the meantime General Chamorro, who, while he had not actually taken over the office of President, was able to dictate his will to the actual Executive, brought about the expulsion from the Congress of 18 members, on the ground that their election had been fraudulent, and caused to be put in their places candidates who had been defeated at the election of 1924. Having thus gained the control of Congress, he caused himself to be appointed by the Congress as designate on

January 16, 1926. On January 16, 1926, Solorzano resigned as President and immediately General Chamorro took office. The four Central American countries and the United States refused to recognize him as President. On January 22 the Secretary of State addressed to the Nicaraguan representative in Washington the following letter:

"DEAR DOCTOR CASTRILLO:

"In your communication of the 19th instant addressed to the Secretary of State you advise that President Solorzano having resigned his office General Emiliano Chamorro took charge of the executive power on January 17.

"The hope expressed in your letter that the relations which have been close and cordial for so many years between Nicaragua and the United States will continue and grow stronger has been noted with pleasure. The Government and people of the United States have feelings of sincerest friendship for Nicaragua and the people of Nicaragua and the Government of the United States will of course continue to maintain the most friendly relations with the people of Nicaragua. This Government has felt privileged to be able to be of assistance in the past at their request not only to Nicaragua but to all countries of Central America more especially during the Conference on Central American Affairs which resulted in the signing of a General Treaty of Peace and Amity on February 7, 1923, between the five Republics of Central America. The object of the Central American countries with which the United States was heartily in accord, was to promote constitutional government and orderly procedure in Central America and those Governments agreed upon a joint course of action with regard to the nonrecognition of governments coming into office through *coup d'etat* or revolution. The United States has adopted the principles of that Treaty as its policy in the future recognition of Central American Governments as it feels that by so doing it can best show its friendly disposition towards and its desire to be helpful to the Republics of Central America.

"It is therefore with regret that I have to inform you that the Government of the United States has not recognized and will not recognize as the Government of Nicaragua the regime now headed by General Chamorro, as the latter was duly advised on several occasions by the American Minister after General Chamorro had taken charge of the citadel at Managua on October 25th last. This action is, I am happy to learn, in accord with that taken by all the Governments that signed with Nicaragua the Treaty of 1923."

Notwithstanding the refusal of this Government and of the other Central American Governments to recognize him, General Chamorro continued to exercise the functions of President until October 30, 1926. In the meantime, a revolution broke out in May on the east coast in the neighborhood of Bluefields and was speedily suppressed by the troops of General Chamorro. However, it again broke out with considerable more violence. The second attempt was attended with some success and practically all of the east coast of Nicaragua

fell into the hands of the revolutionists. Throughout these events Sacasa was at no time in the country, having remained in Mexico and Guatemala during this period.

Repeated requests were made of the United States for protection, especially on the east coast, and, on August 24, 1926, the Secretary of State addressed to the Secretary of the Navy the following communication:

"I have the honor to suggest that war vessels of the Special Service Squadron proceed as soon as possible to the Nicaraguan ports of Corinto and Bluefields for the protection of American and foreign lives and property in case that threatened emergencies materialize. The American Chargé d'Affaires at Managua has informed the Department that he considers the presence of war vessels at these ports desirable, and the American Consul at Bluefields has reported that a warship is urgently needed to protect life and property at that port. An attack on The Bluff and Bluefields is expected momentarily."

Accordingly, the Navy Department ordered Admiral Latimer, in command of the special service squadron, to proceed to Bluefields. Upon arriving there he found it necessary for the adequate protection of American lives and property to declare Bluefields a neutral zone. This was done with the consent of both factions, afterwards, on October 26, 1926, reduced to a written agreement, which is still in force. In October, 1926, the good offices of the United States were sought by both parties for the purpose of effecting a settlement of the conflict. Admiral Latimer, commanding the special service squadron, brought about an armistice to permit of a conference being held between the delegates of the two factions. The armistice was originally for 15 days and was later extended for 15 days more. At the request of both parties, marines were landed at Corinto to establish a neutral zone in which the conference could be held. Doctor Sacasa was invited to attend this conference but refrained from doing so and remained in Guatemala City. The United States Government did not participate in the conference except to provide a neutral chairman; it simply offered its good offices to make the conference possible and arranged a neutral zone at Corinto at the request of both parties during the time the conference was held. I understand that at this conference General Chamorro offered to resign and permit the Congress to elect a new designate to assume the presidency. The conference led to no result, since just at the time when it seemed as though some compromise agreement would be reached the representatives of Doctor Sacasa suddenly broke off negotiations.

According to our reports, the Sacasa delegates on this occasion stated freely that to accept any government other than one presided over by Doctor Sacasa himself would be a breach of faith with their Mexican allies. Hostilities were resumed on October 30, 1926. On the same date General Chamorro formally turned over the executive power to Sebastian Uriza, who had been appointed designate by the Congress controlled by General Chamorro. The United States Government refused to recognize Señor Uriza, on the ground that his assumption of the Presidency had no constitutional basis. Uriza thereupon convoked Congress in extraordinary session,

and the entire 18 members who had been expelled during the Chamorro régime were notified to resume their seats. The Congress which met in extraordinary session on November 10 had, therefore, substantially the same membership as when first convened following the election of 1924. This Congress, whose acts may be considered as constitutional, designated Señor Adolfo Díaz as first designate. At this session of Congress 53 members were present out of a total membership of 67, of whom 44 voted for Díaz and 2 for Solorzano. The balance abstained from voting. On November 11 Señor Uriza turned over the executive power to Díaz, who was inaugurated on the 14th.

The Nicaraguan constitution provides in article 106 that in the absence of the President and Vice President the Congress shall designate one of its members to complete the unexpired term of President. As President Solorzano had resigned and was then residing in California, and as the Vice President, Doctor Sacasa, was in Guatemala, having been out of the country since November, 1925, the action of Congress in designating Señor Díaz was perfectly legal and in accordance with the constitution. Therefore the United States Government on November 17 extended recognition to Señor Díaz.

Following his assumption of office, President Díaz, in the following note, dated November 15, 1926, requested the assistance of the United States Government to protect American and foreign lives and property:

"Upon assuming the presidency I found the Republic in a very difficult situation because of the attitude, assumed without motive by the Government of Mexico in open hostility to Nicaragua. It must be clear to you that, given the forces which that Government disposes of, its elements of attack are irresistible for this feeble and small Nation. This condition places in imminent risk the sovereignty and independence of Nicaragua, and consequently, the continental equilibrium on which the Pan-Americanism is founded which the United States has fostered with such lofty spirit.

"Naturally the emergency resulting from these conditions places in peril the interests of American citizens and other foreigners residing in our territory and renders it impossible for a Government so rudely attacked, to protect them as is its duty and as it desires.

"For these reasons and appreciating the friendly disposition of the United States toward weak Republics and the intentions which your Government has always manifested for the protection of the sovereignty and independence of all the countries of America by morally supporting legitimate Governments in order to enable them afford a tranquil field of labor for foreigners which is needed for the stimulation of the growth of the prosperity of these countries, I address myself to you in order that, with the same good will with which you have aided in Nicaraguan reconciliation, you may solicit for my Government and in my name the support of the Department of State in order to reach a solution in the present crisis and avoid further hostilities and invasions on the part of the Government of Mexico.

"I desire to manifest to you at the same time that whatever may be the means chosen by the Department of State, they will meet with the approval of my absolute confidence in the high spirit of justice of the Government of the United States."

Immediately following the inauguration of President Diaz and frequently since that date he has appealed to the United States for support, has informed this Government of the aid which Mexico is giving to the revolutionists, and has stated that he is unable solely because of the aid given by Mexico to the revolutionists to protect the lives and property of American citizens and other foreigners. When negotiations leading up to the Corinto conference began, I immediately placed an embargo on the shipment of arms and ammunition to Nicaragua. The Department of State notified the other Central American States, to wit, Costa Rica, Honduras, Salvador, and Guatemala, and they assured the department that they would cooperate in this measure. So far as known, they have done so. The State Department also notified the Mexican Government of this embargo and informally suggested to that Government like action. The Mexican Government did not adopt the suggestion to put on an embargo, but informed the American ambassador at Mexico City that in the absence of manufacturing plants in Mexico for the making of arms and ammunition the matter had little practical importance.

As a matter of fact, I have the most conclusive evidence that arms and munitions in large quantities have been on several occasions since August, 1926, shipped to the revolutionists in Nicaragua. Boats carrying these munitions have been fitted out in Mexican ports, and some of the munitions bear evidence of having belonged to the Mexican Government. It also appears that the ships were fitted out with the full knowledge of and, in some cases, with the encouragement of Mexican officials and were in one instance, at least, commanded by a Mexican naval reserve officer. At the end of November, after spending some time in Mexico City, Doctor Sacasa went back to Nicaragua, landing at Puerto Cabezas, near Bragmans Bluff. He immediately placed himself at the head of the insurrection and declared himself President of Nicaragua. He has never been recognized by any of the Central American Republics nor by any other Government, with the exception of Mexico, which recognized him immediately. As arms and munitions in large quantities were reaching the revolutionists, I deemed it unfair to prevent the recognized Government from purchasing arms abroad, and, accordingly, the Secretary of State has notified the Diaz Government that licenses would be issued for the export of arms and munitions purchased in this country. It would be thoroughly inconsistent for this country not to support the Government recognized by it while the revolutionists were receiving arms and munitions from abroad.

During the last two months the Government of the United States has received repeated requests from various American citizens, both directly and through our consuls and legation, for the protection of their lives and property. The Government of the United States has also received requests from the British chargé at Managua and from the Italian ambassador at Washington for the protection of their respective nationals. Pursuant to such requests, Admiral Latimer,

in charge of the special service squadron, has not only maintained the neutral zone at Bluefields under the agreement of both parties but has landed forces at Puerto Cabezas and Rio Grande, and established neutral zones at these points where considerable numbers of Americans live and are engaged in carrying on various industries. He has also been authorized to establish such other neutral zones as are necessary for the purposes above mentioned.

For many years numerous Americans have been living in Nicaragua developing its industries and carrying on business. At the present time there are large investments in lumbering, mining, coffee growing, banana culture, shipping, and also in general mercantile and other collateral business. All these people and these industries have been encouraged by the Nicaraguan Government. That Government has at all times owed them protection, but the United States has occasionally been obliged to send naval forces for their proper protection. In the present crisis such forces are requested by the Nicaraguan Government, which protests to the United States its inability to protect these interests and states that any measures which the United States deems appropriate for their protection will be satisfactory to the Nicaraguan Government.

In addition to these industries now in existence, the Government of Nicaragua, by a treaty entered into on the 5th day of August, 1914, granted in perpetuity to the United States the exclusive proprietary rights necessary and convenient for the construction, operation, and maintenance of an oceanic canal. Articles I and II of said treaty are as follows:

"Article I. The Government of Nicaragua grants in perpetuity to the Government of the United States, forever free from all taxation or other public charge, the exclusive proprietary rights necessary and convenient for the construction, operation and maintenance of an interoceanic canal by way of the San Juan River and the great Lake of Nicaragua or by way of any route over Nicaraguan territory, the details of the terms upon which such canal shall be constructed, operated and maintained to be agreed to by the two governments whenever the Government of the United States shall notify the Government of Nicaragua of its desire or intention to construct such canal.

"Article II. To enable the Government of the United States to protect the Panama Canal and the proprietary rights granted to the Government of the United States by the foregoing article, and also to enable the Government of the United States to take any measure necessary to the ends contemplated herein, the Government of Nicaragua hereby leases for a term of ninety-nine years to the Government of the United States the islands in the Caribbean Sea known as Great Corn Island and Little Corn Island; and the Government of Nicaragua further grants to the Government of the United States for a like period of ninety-nine years the right to establish, operate and maintain a naval base at such place on the territory of Nicaragua bordering upon the Gulf of Fonseca as the Government of the United States may select. The Government of the United States shall have the option of renewing for a further term of ninety-nine years the above leases and grants upon the

expiration of their respective terms, it being expressly agreed that the territory hereby leased and the naval base which may be maintained under the grant aforesaid shall be subject exclusively to the laws and sovereign authority of the United States during the terms of such lease and grant and of any renewal or renewals thereof."

The consideration paid by the United States to Nicaragua was the sum of \$3,000,000. At the time of the payment of this money a financial plan was drawn up between the Nicaraguan Government and its creditors which provided for the consolidation of Nicaragua's obligations. At that time the bondholders holding the Nicaraguan external debt consented to a reduction in interest from 6 to 5 per cent, providing the service of this loan was handled through the American collector of customs, and at the same time a series of internal guaranteed customs bonds amounting to \$3,744,000 was issued by the Nicaraguan Government to pay off the claims which had arisen against it because of revolutionary disturbances from 1909 to 1912. The other outstanding external bonds, amounting on February 1, 1926, to about £772,000, are held in Great Britain. Of the guaranteed customs bonds, \$2,867,000 were on February 1, 1926, still in circulation, and of these about \$1,000,000 were held by Nicaraguans, \$1,000,000 by American citizens, and the balance by nationals of other countries. The bonds held in the United States are held by the public in general circulation and, so far as the department knows, no American bankers are directly interested in the Nicaraguan indebtedness. This financial plan was adopted by an act of the Congress of Nicaragua on August 31, 1917. The National Bank of Nicaragua was made the depository of all Government revenues. The internal revenues were, as heretofore, to be collected by the Government. Collection of the internal revenue, however, was to be taken over by the collector general of customs, an American citizen appointed by the Nicaraguan Government and approved by the Secretary of State of the United States, if the product should average less than \$60,000 a month for three consecutive months. This has never yet been necessary. The proceeds of the customs revenues were to be applied, first, to the payment of such sums as might be agreed upon in the contemplated contracts for the service of the foreign loan, the internal loan, and claims against the Nicaraguan Government. From the balance of the revenue \$80,000 a month was to be used for the ordinary budget expenses and an additional \$15,000 for extraordinary expenses.

Under this financial plan the finances of Nicaragua have been rehabilitated in a very satisfactory manner. Of the \$3,744,000 of internal customs bonds issued in 1917 about \$900,000 have been paid. Of the external debt, bonds issued in 1909 amounting to £1,250,000, there now remain only about £770,000. The total public debt of Nicaragua has been reduced from about \$22,000,000 in 1917 to \$6,625,203 at the beginning of 1926. Furthermore, the country in time of peace has ample revenues for its ordinary budget expenses and a surplus which has been used in extensive public improvements. The Nicaraguan National Bank and the National Railroad, con-

trolling interests in which were formerly owned by American bankers, were repurchased by the Nicaraguan Government in 1920 and 1924, and are now wholly owned by that Government.

There is no question that if the revolution continues American investments and business interests in Nicaragua will be very seriously affected, if not destroyed. The currency, which is now at par, will be inflated. American as well as foreign bondholders will undoubtedly look to the United States for the protection of their interests.

It is true that the United States did not establish the financial plan by any treaty, but it nevertheless did aid through diplomatic channels and advise in the negotiation and establishment of this plan for the financial rehabilitation of Nicaragua.

Manifestly the relation of this Government to the Nicaraguan situation, and its policy in the existing emergency, are determined by the facts which I have described. The proprietary rights of the United States in the Nicaraguan canal route, with the necessary implications growing out of it affecting the Panama Canal, together with the obligations flowing from the investments of all classes of our citizens in Nicaragua, place us in a position of peculiar responsibility. I am sure it is not the desire of the United States to intervene in the internal affairs of Nicaragua or of any other Central American Republic. Nevertheless it must be said that we have a very definite and special interest in the maintenance of order and good government in Nicaragua at the present time, and that the stability, prosperity, and independence of all Central American countries can never be a matter of indifference to us. The United States can not, therefore, fail to view with deep concern any serious threat to stability and constitutional government in Nicaragua tending toward anarchy and jeopardizing American interests, especially if such state of affairs is contributed to or brought about by outside influences or by any foreign power. It has always been and remains the policy of the United States in such circumstances to take the steps that may be necessary for the preservation and protection of the lives, the property, and the interests of its citizens and of this Government itself. In this respect I propose to follow the path of my predecessors.

Consequently, I have deemed it my duty to use the powers committed to me to insure the adequate protection of all American interests in Nicaragua, whether they be endangered by internal strife or by outside interference in the affairs of that Republic.

CALVIN COOLIDGE.

THE WHITE HOUSE,
January 10, 1927.



