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RELATIONS BETWEEN THE UNITED STATES AND NICARAGUA, 1898-1916

Since the Spanish-American War of 1898, the most serious problems in the relations between the United States and Hispanic America have centered around the Caribbean Sea. Occupying a neighboring position, commanding an entrance to the Atlantic and Pacific oceans, with border republics offering a field for exploitation by foreign capital, this sea is of vital interest to the United States for commercial development and military defense. It is the Caribbean region with its weak and debilitated republics that has kept alive the fear of non-American aggression and has caused the expansion of the Monroe Doctrine, or, according to former Secretary of State Hughes, the creation of a separate "Caribbean Policy". This policy, he defines as the Monroe Doctrine plus the aims of the United States to control all canals and canal routes between the Atlantic and Pacific and the military approaches to them; to protect legitimate American investments; and to encourage and maintain peace and political and financial stability throughout the region. In pursuance of this policy the United States has extended its influence over this area by means of mediation, intervention, commercial expansion, or the establishment of financial protectorates over weak republics. The Panama Canal has been built, trade has increased, and the danger of non-American intervention has diminished with the more stable conditions established under American supervision. Nevertheless, the Hispanic Americans have feared and resented the aggressive advance of their powerful neighbor and their hostility to the United States is a serious menace to Pan-Americanism. Furthermore, it is possible that in the near future the Hispanic-American republics may turn to the League of Nations for protection against the United

States. To alleviate anti-Americanism, the United States must prove that its interventions are actuated by unselfish motives and are for the good of the weaker states; that the will of the majorities will be sustained; and that the northern neighbor will withdraw its protection as soon as stability is established.¹ Is that its policy in Nicaragua?

Nicaragua clearly exemplifies the Caribbean problem. The largest of the Central American states, possessing an excellent canal route and bordered by islands which may serve as naval bases, the republic is of prime interest to the United States for military defense, protection of the Panama Canal, and commercial expansion. American interests would be seriously menaced should a non-American power secure canal concessions in Nicaragua and another canal will soon be needed to take care of the increasing trade. Natural resources have induced foreign nations to invest capital in the little republic but the favorable location of the United States has enabled the latter to gain supremacy over other nations in the Nicaraguan trade. The total foreign trade of Nicaragua has shown a rapid increase since 1900, being, in round numbers, for 1900, \$5,425,500; for 1912, \$8,828,300; for 1916, \$10,062,400; for 1920 (abnormal conditions following the war), \$24,651,700; for 1921, \$13,380,800; and for 1925, \$22,735,900. Of the last amount, the trade with the United States approximated \$15,242,930; with France, \$1,960,100; with the United Kingdom, \$1,747,200; and with Germany, \$1,088,900.² Foreign investments in mining, timber, banana, and coffee industries have likewise been augmented during this period. Recent estimates have valued American interests in Nicaragua from five to thirty million dollars, most of which are held in New Orleans. The United Fruit Company, Atlantic Fruit Company, Cuyamel Fruit Company, La Luz y Los Angeles Mining

¹ G. H. Blakeslee, *The Recent Foreign Policy of the United States* (New York, 1925), pp. 98-112, 177.

² *Report of Collector-General of Customs, Nicaragua, 1911-1913* (Washington, 1913), p. 68; U. S. *Foreign Trade Series, 1926, No. 15, Nicaragua*, pp. 1, 7.

Company, Bragman's Bluff Lumber Company and the Astoria Importing and Exporting Company may be mentioned as the leading American corporations there.³

Economic interests, however, have been constantly endangered by political and financial instability. Nicaragua is divided into two distinct districts; the west, with a Spanish population, and the east, settled by Mosquito Indians, widely separated by the Cordilleras and without favorable means of communication. Consequently, a republican form of government in the hands of unscrupulous descendants of the Spanish "conquistadores" has resulted in personal feuds, party rivalry, and sectional jealousy, thus perpetuating civil strife. While party issues are meaningless to the illiterate mass of people, sectional jealousy determines to a great extent party alignment. Granada is supported by conservatives and her rival city, León, is the stronghold of the liberal faction. Ambitious leaders have been ever ready to overthrow the government and the most prominent presidents of the neighboring states, seeking a Central American federation under their power, have aided rebellion against rival authorities.⁴

President José Santos Zelaya placed the liberal party in power in Nicaragua in 1893, and, although progressive, contributing many civic improvements to Nicaragua, he proved to be a tyrant, employing illegal methods of torture for punishing his enemies and securing revenues in every possible way. Forced loans were exacted from the well-to-do, extensive trade monopolies were established, and numerous concessions were granted to foreigners or favored corporations in order to reimburse the president's funds. Tariffs were also increased from time to time, and unfavorable discriminations were directed against the department of Zelaya, center of

³ S. W. Morgan, "Testimony at Foreign Relations Committee Inquiry", in *New York Times*, March 9, 1927; R. W. Dunn, *American Foreign Investments* (New York, 1926), pp. 112-114.

⁴ D. G. Munro, *The Five Republics of Central America* (New York, 1918), pp. 1-8, 185-203.

American trade, located on the Caribbean coast between the Rama River and Lake Tuapi. This district had been an independent kingdom under British protection until 1894, when Zelaya, assisted by American influence, forced the British out of the territory, which was thereupon incorporated in the Nicaraguan Republic. Since the half-breed population resented the loss of independence, and the commercial interests of the United States in this district were rapidly increasing, the province became the center of political agitation against Zelaya's hostile practices. Its distance from the capital, Managua, has made it a desirable center for revolutionary activity.⁵

In 1899 (February 4-27), an insurrection led by General Juan Pablo Reyes, commandante of the department of Zelaya, was waged against the Nicaraguan government and received aid from American residents of Bluefields and "Rough Riders" from Cuba. These Americans joined the insurgent forces or rendered financial assistance to the revolution despite the declaration of neutrality by the United States government. The rebellion was subdued with the surrender of General Reyes, February 27, 1899, but the reconstruction period provoked a serious diplomatic struggle between the governments of the United States and Nicaragua over the re-collection of the customs duties paid by American merchants to the insurrectionary powers on the east coast. Zelaya and his government gave up their claims to the disputed customs collections but attributed the Reyes rebellion to American influence, actuated by a policy of expansion which had been manifested in the Spanish-American War.⁶

Fearful of this growing power from the north, President Zelaya zealously watched the rapid increase in American com-

⁵ U. S. *Consular Report*, 1898, LVI. 209-210, 382-383; LVII. 535-537; U. S. *Foreign Relations*, 1899, p. 555; F. Palmer, *Central America* (New York, 1910), pp. 177-185.

⁶ U. S. *Foreign Relations*, 1899, pp. 549-556; *International Year Book*, 1899, p. 588.

mercial interests in Nicaragua, became more and more despotic, and increased the hostile trade regulations against the east coast. An intermittent diplomatic conflict between Nicaragua and the United States ensued.⁷ Zelaya further resented the interference by the United States and Mexico when the ambitious President, Estrada Cabrera, of Guatemala, waged war against Salvador and Honduras in 1906 and declined to participate in the Central American Peace Conference held in San José, Costa Rica, September, 1906. The following year, Zelaya placed his adherent, Miguel Dávila as provisional president of Honduras and, attempting an attack upon Salvador, incited revolutionary action in four Central American states. President Roosevelt, coöperating with President Díaz of Mexico, then invited each of the Central American republics to send delegates to a peace conference at Washington. All five republics accepted the invitation and in the conference agreed, among other things, to the following: a general treaty of peace and amity; the neutralization of Honduras; and the establishment of a Central American Court of Justice, at Cartago, Costa Rica, which was to have "obligatory jurisdiction over all cases arising between two or more of the states" and final decision in the suits placed before it.⁸ President Zelaya, however, did not plan to carry out these agreements and continued his disturbances in Central America, causing Salvador, Guatemala, and Costa Rica to fear a Central American federation under the Nicaraguan tyrant. Consequently, Central Americans joined the North Americans

⁷ For a study of Zelaya's concessions and tariffs, see *Bulletins of the Bureau of American Republics*, 1899-1908; *Pan American Union Bulletins*, 1908-1909; *United States Consular Reports*, 1899-1909; *United States Foreign Relations*, volumes, 1899-1909; F. Palmer, "Zelaya and Nicaragua" (*Outlook*, V. 13, Op. 855-859).

⁸ G. Stuart, *Latin America and the United States* (New York, 1922), pp. 264-267; Munro, *The Five Republics of Central America*, pp. 206-207. For texts of the treaties, see *U. S. Foreign Relations 1907*, Part II., pp. 692-711; W. P. Buchanan, *Report, The Central American Peace Conference held at Washington, D. C., 1907* (Washington, 1908), pp. 31-80; *Convenciones internacionales de Nicaragua* (Managua, Nicaragua, 1913), pp. 135-181.

in encouraging revolutionary forces on the eastern coast to resist the obnoxious policies of President Zelaya.⁹ Mr. T. C. Moffat, United States consul at Bluefields, notified the government at Washington of the revolutionary plans three days before the rebellion.¹⁰

On October 10, 1909, a band of conservatives proclaimed Juan J. Estrada, liberal governor of the department of Zelaya, provisional president of the Republic of Nicaragua and organized a *de facto* government on the east coast before the constituted authorities could attack them. The United States assumed neutrality for a while and refused to recognize the provisional government, but intervened after the execution of two American citizens, Leonard Grocé and Lee Roy Cannon, engineer officers in the revolutionary forces who had been captured in battle by the Nicaraguan government army. In answer to the claims for rights conceded prisoners of war, made by the United States in behalf of the two Americans, Zelaya maintained that the case was not one of international war but of a civil struggle in which the defeated were subject to trial. The American rebels, he asserted, had been given a fair trial, had been sentenced to death in conformity with Nicaraguan military laws, and their participation in the rebellion had forfeited the right of protection from their home government. This explanation was rejected by Secretary of State Knox, who denied the validity of Zelaya's manifestations and took the opportunity to sever diplomatic relations with the Nicaraguan ruler.¹¹ The interest of the world was aroused by the emphatic note Secretary Knox

⁹ J. S. Zelaya, *The Revolution of Nicaragua and the United States* (Madrid, 1910), pp. 7, 27, 54; E. Emerson, "The Unrest in Central America" (in *Independent*, LXVII, 1909, pp. 1280-1292).

¹⁰ U. S. *Congressional Record*, January 13, 1907, p. 1578.

¹¹ U. S. *Foreign Relations*, 1909, pp. 446, 451-455; Zelaya, *The Revolution of Nicaragua and the United States*, pp. 79, 125-127. For farewell letters from Cannon and Grocé to their families, see Zelaya, *The Revolution of Nicaragua and the United States*, pp. 168-175. The Americans claimed that the Nicaraguan officials forced the prisoners to write these.

addressed to the Nicaraguan Chargé d'Affaires at Washington, December 1, 1909, for it boldly stated that President Zelaya had kept Central America in almost continual turmoil and had destroyed republican institutions in Nicaragua; that it would be difficult for the United States to delay active response to appeals made to it against this situation by Central American republics; and that the present indications of anarchy promised

no source to which the government of the United States could look for reparations for the killing of Messrs. Cannon and Grocé, or, indeed, for the protection which must be assured American citizens and American interests in Nicaragua.

The United States continued to hold both warring factions, *de facto* powers in control of the western and eastern provinces, accountable for the protection of American life and property but American marines were sent to Nicaragua ports.¹²

Realizing that he would be unable to maintain his support against the opposition of the United States, President Zelaya was persuaded by the liberals and President Díaz of Mexico to abdicate, December 16, 1909.¹³ However, his successor, Don José Madriz, elected by the liberal congress, was considered only a henchman of Zelaya by President Taft, and the interference of the United States officials, who refused to permit an armed conflict in Bluefields, on the east coast, made the defeat of the liberal party inevitable. On August 20, 1910, Madriz deposited the presidency of Nicaragua in the conservative party¹⁴ and until January 1, 1925, this party, though

¹² U. S. *Foreign Relations, 1909*, pp. 455-456; Juan Leets, *The United States and Latin America* (New Orleans, Louisiana, 1912), pp. 59-62.

¹³ U. S. *Foreign Relations, 1909*, pp. 456-458; Zelaya, *The Revolution of Nicaragua and the United States*, pp. 109-114.

¹⁴ U. S. *Foreign Relations, 1910*, pp. 745-754, 758-761; Leets, *The United States and Latin America*, pp. 23-30, 62-64; Munro, *The Five Republics of Central America*, pp. 229-231; Zelaya, *The Revolution of Nicaragua and the United States*, pp. 93-106.

in the minority, has been maintained in power only by the aid of the United States.

The new president, Juan J. Estrada, at once called upon the United States for assistance. Mr. Thomas C. Dawson was designated special agent to Nicaragua and secured the approval of a plan of reconstruction for the republic that provided: a constitutional assembly to adopt a democratic constitution and to elect Estrada and Adolfo Díaz for the presidency and vice-presidency for two years; reparations for the deaths of Cannon and Grocé; a financial rehabilitation aided by a loan to be secured from the United States; a claims commission; and the election, at an opportune time, of a constitutional president and vice-president, representatives of the conservative party, as successors to Estrada and Díaz.¹⁵ Accordingly, Estrada and Díaz were chosen for a term of two years, beginning January 1, 1911, and their administration was officially recognized by the United States. Disturbances between ambitious members of the president's cabinet followed. President Estrada became involved in a dispute with the minister of war, Mena, and resigned May 9, 1911, when Adolfo Díaz became president with the real headship of the government assumed by General Mena.¹⁶ Completely under Mena's control, the Nicaraguan assembly, in October, 1911, elected the war minister president of Nicaragua to succeed Díaz, January 1, 1913, in contravention to the Dawson agreement providing for a free election by the people.¹⁷ This action provoked serious opposition from the aspiring conservative leaders, President Díaz and General Emiliano Chamorro, and the assembly's efforts to effect the financial reorganization of the republic increased the unrest due to the hostility toward American intervention.¹⁸ Economic distress also encouraged revolutionary activity.

¹⁵ U. S. *Foreign Relations*, 1910, p. 765; 1911, pp. 649-653; Munro, *The Five Republics of Central America*, pp. 233-234.

¹⁶ U. S. *Foreign Relations*, 1911, pp. 650-661.

¹⁷ *Ibid.*, pp. 666-668.

¹⁸ U. S. *Foreign Relations*, 1912, pp. 1013-1024.

On July 29, 1912, President Díaz demanded the resignation of General Mena as minister of war. General Mena fled to Masaya, converted it into a revolutionary center, and placed his brother, Colonel Daniel Mena in charge of Granada. Allying with the liberals under Zeledón, Mena declared a rebellion against the Nicaraguan government.¹⁹ Again, the liberals were defeated because of the protective policy of the United States, whose minister, Weitzel, declared:

The policy of the government of the United States in the present Nicaraguan disturbances is to take the necessary measures for an adequate legation guard at Managua, to keep open communications, and to protect American life and property.

In discountenancing Zelaya, whose régime of barbarity and corruption was ended by the Nicaraguan nation after a bloody war, the government of the United States opposed not only the individual but the system, and this government could not countenance any movement to restore the same destructive régime.²⁰

American soldiers kept open the railway from Corinto to Granada, and, participating in the struggle obtained the surrender of the liberals on October 5.²¹ Likewise, the American marines were retained for the presidential elections which were held, November 2, 1912. Through the influence of the American minister, Weitzel, the Chamorro faction of the conservative party agreed to accept Díaz as their candidate and he was elected president of Nicaragua for the term, 1913-1917. He and his party were maintained in power by the retention of one hundred American marines in Managua.²² Díaz had been

¹⁹ *Ibid.*, pp. 1027-1031, 1034; Rosendo Argüello, *Public Appeal of Nicaragua to the Congress and People of the United States* (Washington, 1912), pp. 106-107, 115.

²⁰ U. S. *Foreign Relations*, 1912, p. 1043; Argüello, *Public Appeal of Nicaragua to the Congress and People of the United States*, pp. 79-81.

²¹ U. S. *Foreign Relations*, 1912, pp. 1052-1057; *Annual Report of the Secretary of the Navy*, 1912, p. 13; *ibid.*, 1913, p. 38; Argüello, *Public Appeal of Nicaragua to the Congress and People of the United States*, pp. 125-138.

²² U. S. *Foreign Relations*, 1912, pp. 1058, 1061-1064; Argüello, *Public Appeal of Nicaragua to the Congress and People of the United States*, pp. 138-144.

a clerk of the American corporation, La Luz y Los Angeles Mining Company at Bluefields. He had received a salary of \$1000 a year and had advanced the Revolution of 1909 the sum of \$600,000 which he later repaid himself.²³

In the presidential election of 1916, the liberals hoped to be restored to power but lost any opportunity of support from the United States government when they chose as their candidate Dr. Julián Irías, who was an able leader but had been a trusted minister of Zelaya. The liberals were warned that the United States would recognize no associate of the Zelayan régime, and the conservative general, Emiliano Chamorro, was elected for the term 1917-1921.²⁴

Thus, it seems that the United States not only repudiated the tyrant, Zelaya, but also the liberal party who were in the majority²⁵ and manifested increasing hostility to American financial supervision in Nicaragua. President Estrada had accepted the aid of the United States because he feared the threatened revolutions of Zelayistas, and had dissolved the Nicaraguan assembly when it had attempted a new constitution with a clause directed against "humiliating loans".²⁶ It was only through General Mena's control of the new congress that the Dawson plans were approved.²⁷ Proclaiming the theory of "Dollar Diplomacy", defined by Taft as an effort to increase American trade by the government's protection of enterprise abroad,²⁸ President Taft and Secretary Knox asserted that the removal of economic distress by financial reorganization would prevent war, "substituting dollars for rifle bullets", and urged the immediate establishment of financial reform.

²³ U. S. *Congressional Record*, January 13, 1927, p. 1573; S. Nearing and J. Freeman, *Dollar Diplomacy* (New York, 1925), p. 155.

²⁴ Munro, *The Five Republics of Central America*, pp. 249-252.

²⁵ See note 42.

²⁶ U. S. *Foreign Relations*, 1911, pp. 656-658; U. S. *Congressional Record*, January 13, 1927, p. 1579.

²⁷ U. S. *Foreign Relations*, 1911, pp. 666-668.

²⁸ U. S. *Foreign Relations*, 1912, p. x.; W. H. Taft "Message to the Senate and the House of Representatives, December 3, 1912".

The reform program was begun early in 1911 when Mr. Ernest H. Wands, American financial agent, was sent to Nicaragua. He found the treasury practically empty and the currency greatly disorganized, while foreigners were "urgently demanding the payment of interest on the bonded debt" and "claimants were seeking compensation for concessions which the revolutionists had cancelled or violated".²⁹ To meet these difficulties, the Knox-Castrillo loan convention, providing a loan to be obtained by Nicaragua from American bankers, was signed but met opposition in the United States senate. It was a critical situation when Brown Brothers and Company and J. and W. Seligman and Company, New York, agreed to lend the Nicaraguan Republic fifteen million dollars when the Knox-Castrillo treaty should become effective and, for immediate relief, to "purchase of the [Nicaraguan] Republic six per cent treasury bills to the amount of \$1,500,000" to be "guaranteed by the customs revenues" which were to be "administered until the notes were retired by a collector general designated by the bankers—any dispute relating to this contract should be referred to the Secretary of State of the United States for final decision".³⁰

In accordance with the Treasury Bills Agreement, Messrs. F. C. Harrison and C. A. Conant installed currency reform in Nicaragua. This necessitated a supplementary loan which was granted, with the approval of the United States government, by the New York bankers, March 26, 1912, who fixed the maximum sum at \$775,000 and received an option of fifty-one per cent of the stock in the national railway with the management of the entire road until Nicaragua should pay all money due them.³¹ Messrs. Harrison and Conant then made arrangements for a national bank of Nicaragua, incorporated under the laws of the state of Connecticut and controlled and man-

²⁹ Munro, *The Five Republics of Central America*, p. 235.

³⁰ U. S. *Foreign Relations*, 1912, pp. 1078-1079; Munro, *The Five Republics of Central America*, p. 236.

³¹ U. S. *Foreign Relations*, 1912, pp. 1093-1100.

aged by the American bankers. Its entire stock was also pledged to the New York firms as security for their loans. On August 1, 1912, the bank was opened for business in Managua and in 1913, placed in circulation a new currency, the unit of which is the "Cordoba", equal in value with the American dollar.³²

Mr. C. D. Ham took charge of the customs collections in the Nicaraguan Republic in December, 1911. Refusing to permit a reduction of the tariff without the bankers' consent, Mr. Ham secured a large increase in the revenues which enabled the readjustment of the foreign debt. The bankers negotiated contracts with the Corporation of Foreign Bondholders of London, known as the Ethelburga Syndicate Company, who agreed to reduce the interest on the 1909 government bonds from six per cent to five per cent with the provision that the interest and amortization charges be made a first lien on the customs receipts of the republic. Hence, the collector general of customs was made trustee of the bonds of 1909. The bondholders also permitted Nicaragua to use a cash sum which had been held in London by original purchasers of the bonds, and granted a reduction in the redemption price of the bonds in addition to the release of some securities pledged to the bondholders.³³

In 1911, the assembly also agreed to the establishment of a Mixed Claims Commission, composed of three members, one Nicaraguan and two Americans, whose duty was to examine and adjudge the unliquidated claims originating from the abolition of monopolies made by the governments of Zelaya and Madriz. Judge Otto Schoenrich, as president, opened its sessions, March 26, 1912, and its work continued for three years. European creditors at first refused to submit their

³² *Ibid.*, pp. 1098, 1102-1104; Munro, *The Five Republics of Central America*, pp. 236-238.

³³ *Report of the Collector-General of Customs, Nicaragua, 1924* (Managua, Nicaragua, 1925), p. 16; U. S. *Foreign Relations, 1912*, pp. 1081, 1101, 1102; U. S. *Congressional Record*, LI., Part II p. 10708.

claims to the commission, but were later persuaded to do so. While a large number of the claims against the Nicaraguan government, entered by natives and foreigners, were passed, not all of the awards could be paid because of the lack of funds. Most of the payments were granted to the natives who had presented small claims for the loss of property during the war.³⁴

Such an extensive program was indeed promising but met with serious difficulties due to the hostility to American supervision and to the lack of funds. The failure of the United States senate to ratify the Knox-Castrillo convention and the obligations incurred by increased debts and the high salaries of the new American officials almost produced a panic. While efforts were being made to obtain a canal treaty, the New York bankers, with the advice and support of the United States department of state, made further advances, but exacted such heavy terms that Nicaragua threatened to seek European aid. Another loan from Brown Brothers and Company and J. and W. Seligman and Company was secured October 8, 1913. Two million dollars were advanced by the bankers who purchased new treasury bills to the amount of \$1,000,000 and received fifty-one per cent of both the national railway and national bank stock with the agreement of the Republic to employ a part of the \$2,000,000 in the payment of its obligations to the national bank and the New York bankers. The capital of the national bank was to be raised from \$100,000 to \$300,000.³⁵

The following summer, the outbreak of the World War brought the little republic again to the doors of bankruptcy.

³⁴ *Decreto, Comision Mixta de Reclamaciones de Nicaragua* (Managua, Nicaragua, 1913); U. S. *Treaty Series*, No. 556 ½; Stuart, *Latin America and the United States*, p. 271; O. Schoenrich, "The Nicaraguan Mixed Claims Commission" (*American Journal of International Law*, IX., 1915), pp. 858-869.

³⁵ U. S. *Foreign Relations*, 1913, pp. 1061-1063; Munro, *The Five Republics of Central America*, pp. 246-247; Of the nine members of the boards of directors for the national bank and railway, six were named by the bankers and one by the U. S. secretary of state.

The decrease in customs revenues necessitated the suspension of payments on the English debt and interest on the treasury bills and new issues of paper money forced a temporary abandonment of the gold standard in 1915. The national budget was reduced to half its former amount. In the financial crisis the hope of the Nicaraguan government centered in the canal treaty that was being negotiated between the United States and Nicaragua.³⁶

With the defeat of the Knox-Castrillo convention, the Nicaraguan government proposed, December 15, 1912, that an inter-oceanic canal treaty be drawn up with the United States. The Weitzel-Chamorro treaty was signed, February 8, 1913, and modified by Secretary Bryan at the request of President Díaz, with the inclusion of an amendment similar to the Platt amendment for Cuba, but failed of ratification in the United States senate. Despite vehement protests from Central America, a new treaty, the Bryan-Chamorro treaty, was signed August 5, 1914, and finally won ratification February 18, 1916. Its principal provisions were: the grant to the United States government of exclusive proprietary rights necessary for the construction of an inter-oceanic canal through Nicaraguan territory; the lease to the United States for ninety-nine years of the Great and Little Corn Islands, and the right to establish a naval base on Nicaraguan territory bordering upon the Gulf of Fonseca during that time; the payment by the United States of the sum of \$3,000,000 to be applied upon the Nicaraguan Republic's indebtedness in a manner to be determined by the two high contracting parties; and the added amendment that nothing in the convention was intended to affect any existing right of Costa Rica, Salvador,

³⁶ *Ibid.*, p. 249; U. S. *Foreign Relations*, 1914, p. 947; Dr. Pedro Rafael Cuadra, "Memorandum on the Conditions in Nicaragua", submitted to the Pan American Financial Conference, 1915, (*Proceedings of the First Pan-American Financial Conference, Washington, May 24-29, 1915*, p. 586).

or Honduras. The amending clause had been added to allay the complaints of the Central American republics.³⁷

Vigorous opposition to the canal treaty was manifested throughout Central America. Liberals in Nicaragua threatened uprisings against all of the American loans but were unable to battle with the marines at Managua. Neighboring republics protested. Colombia claimed the ownership of the Mosquito Coast and the Corn Islands by the law of *Uti Possidetis*. Salvador invited Costa Rica, Guatemala, and Honduras to meet in conference for the purpose of protesting against the prospective canal treaty. With the expression of disapproval by the United States, the invitation was declined but Salvador presented its complaints to Nicaragua and Secretary of State Bryan. Its claims were directed against the establishment of a naval base on the Gulf of Fonseca, which would endanger Salvador's integrity and preservation and would violate its rights of condominium in the gulf, whose sovereignty had been deposited in the Central American Federation, at the time of its liberation from Spain, and had not been delimited since by any agreement between the three riparian states, Salvador, Honduras, and Nicaragua. Since the entrance of the gulf is less than ten miles in width, international law would give the sovereignty over the waters to all the bordering states. Further, Salvador asserted that the treaty would menace the formation of a Central American Union, was contrary to the Washington treaties, 1907, and the neutrality of Honduras, and could not be legally consummated in accordance with the constitution of Nicaragua.³⁸

³⁷ U. S. *Foreign Relations*, 1913, pp. 1020-1022; 1914, pp. 953-954, 956, 959-962; 966-967, 969; 1915, pp. 1113, 1118-1119; 1916, pp. 810-820, 832-835, 849-852; U. S. *Treaty Series*, No. 624, *Convention between the United States and Nicaragua*; Munro, *The Five Republics of Central America*, pp. 252-253.

³⁸ U. S. *Foreign Relations*, 1913, pp. 1024-1031; 1914, pp. 960-963; 1916, pp. 815-817, 852-861. By Art. 2 of the *General Treaty of Peace and Friendship*, the Central American states promise not to alter in any form their constitutions. The constitution of Nicaragua prohibits the negotiation of treaties that in any way impair the territorial integrity or the national sovereignty of Nicaragua; Munro, *Five Republics of Central America*, pp. 255-257.

Likewise, Costa Rica had made constant protests against the negotiations of the canal convention. Its claims were based upon rights granted by the Cañas-Jerez treaty of limits, 1858, between Nicaragua and Costa Rica, which had been held valid by President Cleveland in an arbitral award of 1888. President Cleveland had declared that the treaty provided for free navigation in the lower part of the San Juan River and that Nicaragua should not conclude any new contract for a canal without first asking the opinion of Costa Rica and in cases where the canal construction would injure the "natural rights of Costa Rica, it would seem that her consent is necessary". Costa Rica also maintained that the Isthmian Canal Commission of 1901 had upheld its claims, that the United States had recognized them by entering into a protocol for canal provisions with Costa Rica in 1900, and that the Washington treaties of 1907 had granted free navigation of Central American waters to all of the republics. In answer to these protests, Nicaragua stated that the canal convention granted only an option to the canal route, and the United States insisted that it could not affect Costa Rica's treaty rights, while the separate protocols for a treaty with Nicaragua and Costa Rica, 1900, indicated that the United States might deal with the republics individually.³⁹ Costa Rica definitely declared that it was not opposed to a canal treaty with the United States, but that it had been offended by the fact that it had not been considered in the secret negotiations. Both Salvador and Costa Rica intimated a willingness to enter into separate treaties with the United States, but, though the American ministers were instructed to negotiate with the republics, nothing was accomplished.⁴⁰

The struggle over the canal treaty in the United States senate postponed the ratification two years. Here, Costa

³⁹ *The Republic of Costa Rica against the Republic of Nicaragua, Complaint* (Washington, 1916), pp. 57-61, 102-111, 25-30; U. S. *Foreign Relations*, 1914, pp. 964-969; 1916, pp. 818-822. Munro, *op. cit.*, pp. 254-255.

⁴⁰ U. S. *Foreign Relations*, 1914, p. 966; 1915, pp. 1106-1110, 1116-1118.

Rica's claims against Nicaragua were expounded, accusation of unfair and fraudulent dealings were made against the New York bankers, while Senator Borah, leading the attack against the treaty, took the stand that the United States was not dealing with Nicaragua but with mere "puppets" that had been placed in power and was forcing upon the large majority of Nicaraguans a treaty they strenuously opposed. He urged that the treaty be considered publicly by the Senate and threatened to reveal facts he had secured on his own initiative, but his efforts failed.⁴¹ In a letter dated January 7, 1915, Senator Elihu Root stated:

"the present government is not in power by the will of the people; the elections of the House of Congress were mostly fraudulent". . . . the Liberals; that is to say, the opposition, "constitute three-fourths of the country". It is apparent from this report and from other information . . . that the present government with which we are making this treaty is really maintained in office by the presence of United States marines in Nicaragua. . . . Can we afford to make a treaty so serious for Nicaragua . . . with a president who we have reason to believe does not represent more than a quarter of the people of the country. . . . We don't want to maintain a government in Nicaragua by military force perpetually; and it is highly probable that if we were to withdraw our force after making such a treaty there would be a revolution and the treaty would be repudiated.⁴²

However, former American Minister to Nicaragua, George T. Weitzel, justified the administration's policy by the necessity of ending the constant disorder in Central America in order to remove the danger of European interference in the debilitated republic. He reported that England and Japan were interested in canal concessions in Nicaragua in 1908, and in 1912, Germany was attempting to get from Nicaragua a concession to canalize the San Juan River for the exploitation of certain banana plantations in Costa Rica. Furthermore,

⁴¹ U. S. *Congressional Record*, LI. 11614-11618, 11285, 10514.

⁴² U. S. *Congressional Record*, January 13, 1927, p. 1574.

American life and property must be protected. The canal treaty was ratified, but futile attempts were made in both houses to prevent appropriations for the treaty.⁴³

Costa Rica and Salvador then placed their cases before the Central American court of arbitration. Despite Nicaragua's claim that the court had no jurisdiction over cases in which a republic's sovereignty and integrity were involved, the cases were considered by the tribunal and the decision on Costa Rica's claims was handed down, September 30, 1916. In substance, it declared: first, the tribunal was competent to decide the suit brought by Costa Rica against the Republic of Nicaragua; second, the government of Nicaragua had violated the rights granted Costa Rica by the Cañas-Jerez Treaty, 1858, the Cleveland Award, March 22, 1888, and the Central American Treaty of Peace and Friendship, December 20, 1907; and third, the court could not declare the Bryan-Chamorro Treaty void because the United States was not subject to the jurisdiction of the tribunal. Nicaragua refused to answer the complaint filed against it in the Central American court but its representative on the tribunal, Magistrate Gutierrez Navas, gave the one dissenting vote in the decision, with a separate statement of his reasons, and Nicaragua explained its refusal to abide by the court's action. Likewise, the United States declared that the Central American court had been established after Costa Rica and Nicaragua had made separate agreements to negotiate with the United States for a canal in 1900, and that the Washington conventions were not intended to affect the international relations between the United States and any of the Central American governments, especially diplomatic relations.

The decision in the case of Salvador was handed down by the court, March 2, 1917. This case was more difficult because it involved international law and Salvador's claim to the

⁴³ G. T. Weitzel, *American Policy in Nicaragua*; U. S. Senate Document 334, 64th Congress, 1st sess., pp. 9, 16; U. S. Congressional Record, 1916, LIII. 13515, 13660-13661.

condominium of the gulf of Fonseca, which Honduras denied in a protest to Salvador, was made weaker by the fact that the three bordering republics had divided the islands of the gulf between them and had held jurisdiction over separate portions of the coast. Salvador, however, had not been a party to any treaty abolishing the joint ownership of the gulf by Nicaragua, Honduras, and Salvador. The Central American court decided: the tribunal was competent to take action in the case of the government of El Salvador against that of Nicaragua; by the concession to the United States of a naval base in the gulf of Fonseca, the Bryan-Chamorro Treaty menaced the national security of El Salvador and violated its rights of ownership in the gulf; the treaty opposed the Washington agreements of peace and amity; and the court could not declare the canal convention null and void nor enjoin Nicaragua to abstain from fulfilling its provisions as petitioned by Salvador.

The decisions rendered, the Central American court of arbitration demanded of the Nicaraguan Republic the reestablishment of the status quo as it had existed prior to the treaty.⁴⁴ Nicaragua and the United States failed to recognize the decision of the court, and, with the refusal of Nicaragua to renew its convention, the tribunal was disbanded at the end of its first term, March 17, 1918. It was unfortunate that the court should have failed because of the refusal of its creator, the United States, to abide by a decision unfavorable to its own interests.⁴⁵

The financial arrangements as provided by the Bryan-

⁴⁴ *Anales de la Corte Centro Americano* (San José, Costa Rica, 1916, 1917), V 159, 176, VI. 14-15, 169-170, V. 122-250 and VI. 1-193 give full accounts of the two cases; U. S. *Foreign Relations* 1916, pp. 886, 890-892. For full account, see pp. 826-898; M. Ellis, *Some Problems in the Diplomatic Relations between the United States and the Five Republics of Central America* (M. A. Thesis, U. of T. 1926, pp. 92-93).

⁴⁵ U. S. *Foreign Relations*, 1916, p. 837; J. B. Scott, "Closing of the Central American Court of Justice" (in *American Journal of International Law*, XII. 380); Stuart, *Latin America and the United States*, pp. 275-276.

Chamorro Treaty were then put into effect and the protectorate established by the United States government over the Nicaraguan Republic was virtually complete. The North American Republic had exclusive canal privileges in Nicaragua and bordering naval bases, while the New York bankers, under the supervision of the United States department of state had control of the national bank and railway, owning fifty-one per cent of the stock of each, and the management of the customs collections of the Republic. In 1918, the high commission of the Republic of Nicaragua consisting of two Americans, selected by the secretary of state, and one Nicaraguan, was appointed to supervise the expenditures of the Republic.⁴⁶ What has American protection accomplished? Dangers of non-American aggression in Nicaragua have been eliminated and the Panama Canal zone interests, as well as American life and property, have been protected. Financial chaos has been removed and a uniform currency with a gold basis has been installed. Furthermore, the presence of American marines has greatly reduced the number of revolutions, while economic and social progress have redounded to Nicaragua's benefit.

Nevertheless, progress will be retarded as long as the great majority of people, adherents of the liberal party, are hostile to the American made government. Believing that the American advance in the Caribbean area since 1898 has been actuated by economic imperialism, Nicaraguan liberals have resented the financial protectorate established over their republic and have considered as particularly unfair the imposition of a minority party government since 1912. Many Americans have realized that the good will and coöperation of the people are essential, and, subscribing to the idea that strong nations must guarantee the integrity of weak neighbors, whose national spirit cannot be permanently subdued, have hoped for a reversal of the aggressive policy in the

⁴⁶ *Report of the High Commission, Republic of Nicaragua, 1925* (Managua, 1926), pp. 3-4; Nearing and Freeman, *Dollar Diplomacy*, p. 169.

Caribbean. Better relations were secured by President Wilson and Secretary of State Hughes, who inaugurated a withdrawal policy in the Caribbean area with the establishment of greater stability. Much was accomplished in Nicaragua.⁴⁷ In 1920, President Wilson stated that the question of candidates for the presidency was to be decided by the Republic of Nicaragua in the free expression of public opinion⁴⁸ and, in 1924, the United States department of state not only declared that its government had no preference regarding candidates for the presidency of Nicaragua but also agreed to recognize any person gaining the office through free and fair elections.⁴⁹ In July, 1924, Nicaragua finished paying its debt to Brown Brothers and J. and W. Seligman, thereby relieving the United States government of its obligation to protect the New York bankers who had granted loans to Nicaragua at the request of the state department. Though American officials were retained to insure stability, the national bank and railway were handed over to the republic.⁵⁰ Finally, after the election of Carlos Solorzano, conservative republican, as president, and Juan Bautista Sacasa, liberal, as vice-president, the American marines were withdrawn from Nicaragua in August, 1925.⁵¹

Unfortunately, the return of the liberals to power in Nicaragua was not welcomed by the conservative faction, and another civil war between the two parties was begun in October, 1925. Conditions there are still unsettled but the possibility of a fair election by the people, in the near future, offers, perhaps,

⁴⁷ Blakeslee, *The Recent Foreign Policy of the United States*, pp. 109-120, 148-150; Munro, *op. cit.*, pp. 258-264.

⁴⁸ Raul de Cardenas, *La Política de los Estados Unidos en el Continente Americano* (Havana, 1921), p. 260.

⁴⁹ U. S. Department of State, *Press Release, July 21, 1924*.

⁵⁰ *Commercial and Financial Chronicle* (New York), December 18, 1920, p. 2373; September 13, 1924, p. 1236; July 1925, pp. 265-266; Nearing and Freeman, *Dollar Diplomacy*, p. 171.

⁵¹ U. S. Department of State, *Press Release, February 7, 1924, January 17, 1925*; Nearing and Freeman, *Dollar Diplomacy*, p. 171.

a solution to the problem. A government established by the free will of the people is not only just but is necessary and its moral support by the United States, with an assurance of no protectorate, would contribute more than anything else to the alleviation of the anti-American sentiment in the neighbor republic. The eradication of anti-Americanism throughout the Caribbean area is essential for Pan-Americanism and the removal of the potential danger of the isolation of the United States by the rapprochement of Hispanic America and Europe. It is only through Pan-Americanism, insuring a friendly coöperation among the American peoples for the solution of their problems and the promotion of their interests, that the greatest progress, politically, socially, and commercially, may be attained by the western hemisphere.

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