

suggested to me as necessary. He said however that the President had underestimated the country's needs and had considered the matter from the viewpoint of the outgoing rather than the incoming administration. He said that he would discuss the situation with President-elect Amezaga.

This morning Guani told me that Amezaga appreciates our willingness to assist and understands fully that the figure of 7½ million is in accordance with Baldomir's suggestion but that he feels that it is inadequate and hopes that considerably more can be obtained. Guani mentioned 25 millions which might be made available in two installments.

Spaeth and I both feel that in order to maintain Uruguay's fiscal and economic situation and also for the domestic and international political effect, the loan contract to be signed by Guani in Washington should be for a larger sum. We recommend that the amount of the loan to be granted immediately be substantially increased and that in addition some formula be worked out which, without involving us in a firm commitment, will indicate our willingness to give due consideration to Uruguay's future needs up to some specific sum. Spaeth suggests something along the lines of the arrangement which he understands was made with Bolivia.⁴⁹

Guani tells me that he will bring with him an authorization to sign a loan contract *ad referendum* to be submitted for approval to the Council of State when it meets in February.

DAWSON

[An agreement was signed on February 4, 1943, between the Government of Uruguay and the Export-Import Bank under which the latter opened a credit of \$20,000,000 in favor of the former.]

AGREEMENT BETWEEN THE UNITED STATES AND URUGUAY REGARDING COMPLETION OF HYDROELECTRIC PROJECT ON RIO NEGRO⁵⁰

833.6463/71a

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

No. 219

WASHINGTON, January 7, 1942.

The Secretary of State refers to the Department's instruction no. 121, November 4, 1941,⁵¹ concerning proposed arrangements by which the Government of the United States would assist the Government of

⁴⁹ See memorandum agreement between the United States and Bolivia, January 27, 1942, vol. v, p. 593.

⁵⁰ For previous correspondence respecting the Rio Negro project, see *Foreign Relations*, 1941, vol. VII, pp. 594 ff.

⁵¹ Not printed.

Uruguay in obtaining materials for the Rio Negro hydroelectric project and would provide certain other assistance with respect to the project.

After further discussion with the Uruguayan Ambassador⁵² and Señor Luis Giorgi, representative of the Rione, the Department has agreed tentatively to certain modifications in the proposed arrangements as set forth in a new draft of a memorandum of agreement, a copy of which is enclosed, with a copy of the covering note⁵³ with which the Department expects to transmit the memorandum to the Uruguayan Ambassador. There is also enclosed a translation of a communication of December 3, 1941⁵⁴ addressed by the Rione to the German consortium which is at present working on the Rione project, notifying the consortium that the Rione expects totally to rescind its contract with the consortium if it has not delivered in Uruguay before June 1, 1942 all the machinery, equipment and materials that are now lacking for total compliance with the contract.

The status of the enclosed tentative memorandum of agreement and of the arrangements which it contemplates is as follows: The Department agreed with the Uruguayan Ambassador and General Giorgi to accept the wording of the enclosed memorandum, and Señor Giorgi has obtained the approval of the Rione for this purpose. This wording has also now been accepted tentatively by Mr. D. M. Simmons of the General Cable Corporation, representing the consortium of manufacturers in the United States that would provide equipment to the Rione, subject to the approval of a meeting of representatives of all the companies comprising the consortium, which is scheduled for January 6, 1942. The Department has entered into discussions with the Office of Production Management and the Board of Economic Warfare with a view to obtaining a definite confirmation, under the changed circumstances resulting from the involvement of the United States in war, of the priority rating tentatively obtained on behalf of the consortium of United States manufacturers and the Rione in August 1941.

Señor Giorgi has entered tentatively into discussions with the Export-Import Bank with a view to obtaining credits for the works definitely provided for in the proposed memorandum of agreement, and he is also entering into tentative discussions with the consortium of United States manufacturers with a view to the conclusion of a contract with them at an appropriate time after conclusion of the memorandum of agreement with this Government.

Señor Giorgi mentioned, in preliminary discussions with the Export-Import Bank, that it was expected that the works definitely contemplated by the proposed memorandum of agreement would cost

⁵² Juan Carlos Blanco.

⁵³ Neither printed.

⁵⁴ Not printed.

between \$4,000,000 and \$5,000,000 and that approximately twenty percent of this amount would be for local expenditures in Uruguay. Mr. Warren L. Pierson, President of the Export-Import Bank, commented with respect to this information that it is a policy of the Export-Import Bank to avoid wherever possible the extension of credits for expenditures in local currencies. Señor Giorgi replied that he would take up with the Rione the possibility of obtaining credits in Uruguay for the local expenditures.

833.6463/86

Memorandum of Agreement Initialed by the Under Secretary of State (Welles) and the Uruguayan Ambassador (Blanco)

I

1) The Government of the United States is prepared to cooperate with the Government of Uruguay by providing all possible assistance reasonably consonant with the functions of Government to United States manufacturers to enable them to manufacture and export for the Rione project material consisting of one turbine and generator unit, one transmission line, and all other equipment necessary for their practical operation, within a period of two years from the date of the signature of the contract or contracts between the manufacturers and the Rione, necessarily subject, however, to the emergency needs of the national defense of the Government of the United States and of the other countries which are actually fighting aggression.

2) The Government of the United States is prepared to give consideration through the Export-Import Bank to the extension of appropriate credit facilities for materials and services to be furnished by the United States manufacturers, in the event that such facilities should be desired by the Uruguayan Government.

3) The United States Government is prepared to assign an appropriately qualified technical expert as a representative of this Government and particularly of the Export-Import Bank to facilitate the carrying out of the project.

II

In return for the assistance described under I;

1) The Uruguayan Government agrees to remove the present German consortium from all connection with the project at the site of the project not later than the time of arrival at the Rincón del Bonete Dam of the first shipment of material to be supplied by the United States manufacturers and, in any event, not later than July 1, 1942. The Uruguayan Government further guarantees that under no circumstances will German and United States personnel work on the project at the same time except for preliminary engineering studies.

2) With regard to the three remaining turbine and generator units and the second transmission line and other necessary related equipment, the Uruguayan Government agrees to grant to the United States manufacturers an option valid from June 1, 1942 to September 1, 1942 to agree to complete this additional work in the event the German consortium does not deliver in Uruguay prior to June 1, 1942 all of the machinery, equipment and supplies necessary for the total completion of the project. In this event, and in the event the United States manufacturers are disposed and are able to complete the entire project, the contract with the German consortium will be totally rescinded. If the United States manufacturers should not undertake to exercise this option, the Uruguayan Government will not permit any foreign group to engage in any construction in connection with the project at the site of the project until the United States manufactures have completed the installation of the first generating unit and transmission line.

S[UMNER] W[ELLES]

J[UAN] C B[LANCO]

WASHINGTON, April 21, 1942.