

THE NICARAGUAN CANAL IDEA TO 1913

ROSCOE R. HILL*

For nearly a hundred years the idea of a Nicaraguan canal has been the chief interest and motivating force behind the relations of the United States not only with Nicaragua but also with all of Central America. Treaties ratified and unratified, contracts of American citizens for canal construction uncompleted, reconnaissances and surveys of canal routes, Anglo-American diplomatic negotiations, interventions with landing of marines, messages and declarations of American presidents, debates in Congress with now and then legislation dealing with the subject, are the concrete evidences of this paramount interest of the United States and the American people. In later years the protection of life and property of American citizens has been strongly emphasized,¹ but the number of lives and the amount of property involved have been and are so small in comparison with that fundamental interest as not to furnish an adequate explanation for the deeper and more real motive underlying the relationship. On the part of Nicaragua and the Nicaraguan people, this magnum opus has been the dream of the century; and the government, whatever the party in power, has ever sought to bring about interoceanic communication through its territory.

The purpose of this paper is to survey the Nicaraguan canal idea down to 1913, thus giving the background for the Bryan-Chamorro treaty which is the agreement now in force between the American and Nicaraguan governments.

The canal idea has been an interest not only of the United States and Nicaragua but of other nations as well. In turn Spain, France, and England have played leading roles in connection with it. Soon after the discovery of America the possibility and utility of the connection of the two seas by a water route were suggested;

*The author, following his retirement as chief of the Division of State Department Archives of The National Archives in 1945, has continued life-long activities in the Hispanic-American field at his home in Washington, D. C. This paper was presented to the Section on History and Geography of the Eighth American Scientific Congress held in Washington in May, 1940. It was not read. A brief summary was published in *Proceedings of the Eighth American Scientific Congress, 1940*, Vol. IX, *History and Geography* (Washington, D. C., 1943), 37-38.

¹ See declaration of Secretary Henry L. Stimson, April 24, 1931, *New York Times*, April 24, 1931.

and Nicaragua, with its San Juan River and its lakes, appeared to be the most practical route. Charles V of Spain and his successors from time to time considered the project, but the monopolistic character of colonial enterprise and the fears with respect to the other maritime nations, joined with political factors, always served to prevent the consummation of the idea.² In the eighteenth century, after much successful canalization had been carried out in France, French engineers formulated projects regarding a Nicaraguan canal, some of which were diplomatically or otherwise brought to the attention of the Spanish government, but always with the same result that nothing effective was done in regard to the matter.³ Toward the end of that century a survey of the route was made by a Spanish engineer, but his conclusion was that the project was impossible, since the opening of the canal would result in draining all the water from the lakes.⁴

Meanwhile, England, having acquired interests on the Mosquito Coast, began to look forward to interoceanic communication. The unsuccessful expedition in 1762 up the San Juan River against Castillo el Viejo, during the Seven Years' War, as well as the expedition of 1780, during the war between England and its colonies⁵ and the preliminary studies and reports made by the Hodgsons,⁶ father and son, who were superintendents of the Mosquito Coast, served to keep the idea alive in England. Later the growth of the United States, its expansion to the Pacific and the gold rush to California created a demand for a more adequate and easier route to the Pacific coast than crossing the prairies or rounding Cape Horn. The long desert stretches of the West were thought to be insuperable to railways, and the ready conclusion was that an interoceanic canal afforded the best and proper solution of the problem of transportation.⁷ The interest aroused at

² Ramón de Manjarres, "Proyectos españoles de canal interoceánico," *Revista de Archivos, Bibliotecas y Museos* (Madrid, 1914), pp. 73 and 283; Carlos Pereyra, *Historia de la América* (8 vols., Madrid, 1920-1926), V, 393 ff.

³ Cf. Martin de la Bastide, *Mémoire sur un nouveau passage de la Mer du Nord à la Mer du Sud* (Paris, 1791).

⁴ Plan de nivelación del Mar del Sur con el Lago de Nicaragua, por Manuel Galisteo, MS in the Real Academia de Historia; Plan de nivelación de la altura y declives que tiene el Río de San Juan y Gran Laguna de Nicaragua, por Manuel Galisteo, 1781, MS in Manuel Joseph de Ayala, *Miscelanea*, Vol. XLIV, folio 109 (Biblioteca Real).

⁵ José D. Gámez (*Historia de Nicaragua* [Managua, 1885], p. 255) gives an account of the repulse of the English; José María Borgen, *Una incursión por la costa atlántica* (2nd ed., Managua, 1925), pp. 20 and 49.

⁶ Archivo General de Indias, Audiencia de Santa Fe, legajos 573 and 1261.

⁷ On difficulties of railways in the west and advantages of a canal, see L. M. Keasbey, *The Nicaraguan Canal and the Monroe Doctrine* (New York, 1896), p. 187.

that time in the United States with reference to this project has never died.

This American need and the already acquired British interests in Central America brought the two nations face to face, and more than half a century of diplomatic negotiations⁸ ensued, resulting first in the Clayton-Bulwer treaty of 1850, which led to much argumentative discussion and the possibility of war before a somewhat acceptable interpretation and a begrudging execution were secured. The final solution of the Anglo-American problem was found in the Hay-Pauncefote treaty of 1901, which swept away all difficulties to the construction of an interoceanic waterway, by American initiative and capital alone, under guarantees of being available to all nations.

The direct relationship of the United States with Central America on the matter began early in the nineteenth century. Nicaragua, and Central America as a whole, desired a canal but soon realized their economic inability to carry out the project. The rapidly expanding wealth of the United States and the nearness of this nation made it the obvious potential constructor of the canal. Hence a study of the diplomatic relations of the United States with the several Central American countries, after their independence, shows that the central theme was ever the idea of an interoceanic waterway, and that this idea was primarily responsible for the experiment in imperialism in Nicaragua.

Before the middle of the nineteenth century the construction of a Nicaraguan canal by American capital was under consideration. Contracts were entered into by the Nicaraguan government, one of the first being that with Cornelius Vanderbilt in 1849. At about the same time the question of a treaty between the United States and Nicaragua was taken up and the American minister Elijah Hise, although unauthorized, signed a treaty in 1849 providing for a perpetual and exclusive right-of-way in favor of the United States and the guarantee of the territorial integrity of Nicaragua by the United States.

With the gold rush to California the transit route across Nicaragua became of great importance. Vanderbilt's company maintained a regular service from New York to California via Nicaragua and had rights for the canalization of the river and the lakes. William Walker, the great filibuster of Central America, who finally made himself president of Nicaragua, came into con-

⁸ Mary W. Williams (*Anglo-American Isthmian Diplomacy, 1815-1915* [Washington, 1916], *passim*) gives a complete survey of the British-American negotiations; Keasbey, *op. cit.*, *passim*.

flict with the transit company and effected a cancellation of its contract. He then made a new arrangement with another American company. It was the opposition of Vanderbilt and the aid given by him to the enemies of Walker, especially by cutting off the transportation of recruits from the United States, which brought about the downfall of the filibuster.⁹

The development of transcontinental routes in the United States after the Civil War caused a corresponding decline in the importance of the transit route across Nicaragua. This situation did not, however, eliminate the interest in an all-water route. New contracts were made from time to time. The carrying into effect of the construction of so large a project entirely by private capital soon appeared impossible, and means were sought to secure governmental aid. At one time efforts were made to have interest on the capital guaranteed by the Central American states and the United States, but the idea was never realized.

All the contracts and treaties negotiated in connection with the canal project were made by Nicaragua independently; and on various occasions it received the congratulations and applause of the other Central American states on the success of its negotiations on behalf of a work of such importance to mankind. Efforts to conclude a treaty between Nicaragua and the United States were made at various times during the nineteenth century, and in these earlier treaties is found the genesis of the Bryan-Chamorro treaty.

Both conservatives and liberals in Nicaragua have sought to enlist the efforts of the United States in accomplishing the great desire of that republic. The Hise-Selva treaty of 1849 has already been mentioned.¹⁰ This treaty was never ratified. In 1867 the Dickinson-Ayón treaty of friendship, commerce, and navigation was signed, and was ratified and proclaimed the following year.¹¹ This agreement contained clauses with reference to the canal project. It granted to the United States the right of

⁹ See W. O. Scroggs, *Filibusters and Financiers; the Story of William Walker and His Associates* (New York, 1916), *passim*.

¹⁰ Signed in Guatemala, June 21, 1849, by Elijah Hise and Buenaventura Selva. *Report of the Isthmian Canal Commission, 1899-1901* (58th Congress, Second Session, Senate Document 222, Serial No. 4,609, Washington, 1904), pp. 503-508; *supra*, p. 199.

¹¹ Ratified by United States Senate January 20, 1868; signed by the president February 7; ratifications exchanged June 20; and proclaimed August 13. This treaty was denounced by Nicaragua to take effect October 24, 1902. W. M. Malloy, *Treaties, Conventions . . . Between the United States of America and Other Powers* (4 vols., Washington, 1910-1938), II, 1279-1287.

transit on any route natural or artificial across Nicaragua with the right of sovereignty reserved. The United States was obligated to extend protection to the route and to guarantee its "neutrality and innocent use," but could transport troops and munitions over it. Nicaragua might establish free ports at the terminals and was to employ force to protect the canal. In case Nicaragua were unable to afford protection, the United States could do so with or without the former's consent. The rights and privileges of the United States in the treaty also were to be protected in any contracts for construction of a canal entered into by Nicaragua.

In the 1884 Frelinghuysen-Zavala treaty,¹² "the United States and the Republic of Nicaragua recognizing the importance of an interoceanic communication across the isthmus at Nicaragua . . . agreed for this purpose to build a canal." This treaty provided for a canal constructed by the United States, to be owned jointly with Nicaragua. It further provided that there should be a perpetual alliance between the two countries and that the United States should protect the integrity of the territory of Nicaragua. The United States should have the greatest liberty in the construction, free use of Lake Nicaragua, and the necessary lands to be expropriated for public utility by Nicaragua if not otherwise available. The canal zone was to be two and a half miles in width. No duties or taxes should be imposed by Nicaragua, and transit through the canal should be free, except for tolls imposed by both governments. Employees of the canal were not to be subject to military duty; importations for the canal were to be free, except liquor and tobacco. The United States was to furnish the funds for the construction and to have exclusive control of the construction work, not only of the canal but of the auxiliary railway and telegraph lines. The management of the canal was to be vested in a board of six managers, three appointed by the president of the United States, with consent of the Senate, and three by the president of Nicaragua. The chairman was to be one of the members appointed by the president of the United States; and in case of a tie vote in the board, he should have a double vote. This board was to maintain the canal, fix the tolls, and make the rules and regulations subject to the joint direction of the two presidents. It also was to have power to appoint and remove all employees of the canal. The tolls were to be equal for all, except that the coastwise traffic

¹² *Report of the Isthmian Canal Commission, 1899-1901*, pp. 359-363.

of Nicaragua and the United States might be favored. The income from the canal was to be devoted first to the maintenance and improvement of it, and the balance distributed to the two countries, one-third to Nicaragua and two-thirds to the United States. Nicaragua should terminate or secure the abrogation of any conflicting treaties. The treaty was to be ratified within two years, and work begun within two years after ratification and concluded within ten years except for force majeure. All disputes were to be arbitrated. Since Nicaragua wished to carry out public works which would be aids to the canal project, it was provided that the United States should make a loan of \$4,000,000 to Nicaragua at 3 per cent, to be a lien on the rights of Nicaragua in the canal and to be repaid from Nicaragua's share in the net earnings. Neither party should sell its rights in the canal without the consent of the other, given by legislative enactment.

One article (Article 18) states that "the United States frankly disavows any intention in any way to seek to impair the independent sovereignty of Nicaragua, or to aggrandize themselves at the expense of that State or of any of her sister republics in Central America; but, on the contrary, desire to strengthen the power of free republics on this continent, and to promote and develop their prosperity and independence."

Another (Article 22) provided that

the United States will aid by their good offices, if desired, in securing the union of the five Central American Republics under one representative government, and the reorganization of the said Republics in one nationality being accomplished, the Central American Republic shall have the same rights and bear the same obligations as Nicaragua has and bears by virtue of this treaty.

This treaty was ratified by Nicaragua and was submitted to the United States Senate by President Arthur, but

In December, 1885, while the treaty was still pending in the Senate, it was withdrawn from further consideration by the Chief Executive [Cleveland], who stated as a reason for his action that it proposed a perpetual alliance with Nicaragua and the protection of the integrity of the territory of that State, contrary to the declared policy of the United States.¹³

Contemporaneously with the Hay-Pauncefote negotiations, Secretary Hay entered into preliminary negotiations with not

¹³ *Ibid.*, p. 41.

only Nicaragua but also Costa Rica for the purpose of paving the way for definitive treaties with these countries in connection with the construction of a canal across Nicaragua. The Hay-Corea protocol was signed at Washington December 1, 1900, and stated that:

It is agreed between the two Governments that when the President of the United States is authorized by law to acquire control of such portion of the territory now belonging to Nicaragua as may be desirable and necessary on which to construct and protect a canal of depth and capacity sufficient for the passage of vessels of the greatest tonnage and draft now in use, from a point near San Juan del Norte on the Caribbean Sea, via Lake Nicaragua to Brito on the Pacific Ocean, they mutually engage to enter into negotiations with each other to settle the plan and the agreements, in detail, found necessary to accomplish the construction and to provide for the ownership and control of the proposed canal. As preliminary to such future negotiations it is forthwith agreed that the course of said canal and the terminals thereof shall be the same that were stated in a treaty signed by the plenipotentiaries of the United States and Great Britain on February 5, 1900, and now pending in the Senate of the United States for confirmation, and that the provisions of the same shall be adhered to by the United States and Nicaragua.¹⁴

An identical protocol,¹⁵ the Hay-Calvo, was signed on the same date with Costa Rica, and remained the effective basis of the American arguments in respect to the Costa Rican protests against the Bryan-Chamorro treaty.¹⁶

In conformity with the Hay-Corea agreement, the Sánchez-Merry protocol¹⁷ was signed the next year. This was the draft of an ad referendum treaty in which Nicaragua agreed, "to lease in perpetuity to the United States the exclusive right to construct, own and operate a ship canal through the territory of Nicaragua to connect the Atlantic and Pacific Oceans."

¹⁴ Malloy, *Treaties and Conventions*, II, 1290; *Foreign Relations of the United States*, (Washington, 1925), p. 821-822 (hereinafter cited as *Foreign Relations*).

¹⁵ Signed December 1, 1900; Malloy, ed., *op. cit.*, I, 351; *Foreign Relations* 1916, p. 821.

¹⁶ See *Foreign Relations*, 1916, 1917, *passim*, for notes between Costa Rica and the United States on the subject. Costa Rica alleged that this protocol had become ineffective. In 1922 a new protocol, the Hughes-Oreamuno, in practically identical terms, was made by the two countries. For its text see M. Castejón-Fiallos, *Le traité Bryan-Chamorro et les conflits qu'il a provoqué en Amérique Central* (Paris, 1925), p. 144.

¹⁷ Signed December 9, 1901; for the Spanish text of this protocol see *El Gobierno de la República de Nicaragua . . . evacua el traslado . . . de la demanda . . . de El Salvador* (San José, 1917), pp. 56-62. MS English and Spanish texts are in The National Archives.

The United States pledged itself to guarantee perpetually "the sovereignty, independence and full territorial integrity of the Republic of Nicaragua." Ample powers were conferred for the excavation of the canal, the construction of the auxiliary works, and the acquisition of the necessary lands for a canal zone. Article 7 stated that:

The sovereignty of Nicaragua and the laws of the Republic shall be in full force in the Canal District; but the United States is authorized and empowered to use its civil police and, when necessary, its naval and military forces, for the protection of the Canal District and of all persons and vessels engaged in its navigation or its service, as well as for the preservation of peace and order.

This article was reinforced by Article 10 which provided:

The United States shall have at all times, the free and unobstructed right to enter the Canal District with its land and naval forces and to adopt such measures as may be necessary for the protection of the Canal District and of its rights therein. To protect the sovereignty, independence, and territorial integrity of Nicaragua, the United States shall contribute at once to their defense upon Nicaragua's requisition to do so.

Civil and criminal matters were to be submitted to the laws and tribunals of Nicaragua. Free ports were to be maintained at the terminals of the canal, under the protection of the United States, but in which only Nicaragua should maintain custom houses for levying duties on goods for the canal zone or the republic. The canal was to be open to all vessels upon payment of tolls, but those of the United States were to enjoy special privileges in Lake Nicaragua. The stipulations of the Treaty of Constantinople regarding the neutrality of the Suez Canal were incorporated in the treaty. The United States in return for the grants made by Nicaragua was to pay six million dollars and adjust and pay any claims of its citizens against the latter country. In view of the action of the American Congress in June, 1902, however, authorizing the president to acquire the Panama route, no action was ever taken in regard to the Sánchez-Merry protocol.

Prior to these negotiations, Nicaragua had taken important steps in connection with the canal idea. In 1880, A. G. Menocal, a Cuban-American engineer, made his first canal contract with the Nicaraguan government and on March 23, 1887, as representative of the Nicaraguan Canal Association, an American corpora-

tion, he signed a second contract with the minister of public works, A. Cárdenas.¹⁸ In this contract, Nicaragua granted to the association "the exclusive privilege to excavate and operate a maritime canal across the territory, between the Atlantic and Pacific oceans."¹⁹ The work was declared to be a public utility, and the general route and size of the canal were specified. The company to be organized was to control the canal for ninety-nine years, at the end of which time it either would revert to the government of Nicaragua or might be leased for another period of ninety-nine years by the company. There were special provisions regarding auxiliary railway and telegraph lines. The government guaranteed the neutrality of the canal, and the company was forbidden to cede its rights to any foreign power. The people of all nations were to be permitted to contribute to the capital of the project, 5 per cent being reserved to the Central American government (*sic*) and its citizens. The government would grant no subvention, but it was to name one director on the board of the company. The company was obligated to maintain ports at the terminals of the canal and also to construct a canal between Lakes Nicaragua and Managua. Lands necessary for the canal, as well as for the auxiliary railway, were to be granted to the company, those owned by the state being free and those privately owned to be expropriated at the expense of the company. The company also was to receive extensive grants of state lands, including the mineral rights, which could be sold or otherwise alienated. The company was to be exempt from taxation, and the government was to protect all employees, exempting them from forced loans and military exactions. All materials imported in connection with the project were to be free of duty. The government was to make rules concerning smuggling and establish a police force paid by the company. A free zone was established along the canal, and the government renounced the right of laying any dues on vessels or commerce passing through the canal. The company should fix the tolls and collect them, and make all regulations for the operation of the canal, while the state should lend its authority for their enforcement. Nicaraguan vessels were to pay 50 per cent of the tolls.

¹⁸ The contract, consisting of fifty-five articles, was approved by President E. Carazo on April 12, 1887; passed by the Chamber of Deputies, April 20; by the Senate, April 23; and ordered executed by President Carazo on April 24. For the text as approved by Nicaragua see *Gaceta oficial*, Año XXV, No. 19 (1887), pp. 159-165; for the English text see *Report of the Isthmian Canal Commission, 1899-1901*, pp. 389-400.

¹⁹ Article 1.

The company was obligated to begin a survey in one year, commence work within two and one-half years, and complete the project within ten years, except for force majeure. A guarantee of \$100,000 was to be paid within sixty days, and \$2,000,000 was to be expended in the first year of construction. The government was to receive 6 per cent of the bonds, certificates, or other securities issued. This should amount to not less than \$4,000,000. The canal association was to receive 6 per cent of the corporate capital, in excess of the amount of the bonds, certificates, or other securities issued, for the preparatory work and organization of the company. The receipts from the canal were to be applied, first, to operation and maintenance; second, to pay interest not exceeding 6 per cent on the obligations of the company; and third, the net balance up to a certain per cent was to be disbursed to the stockholders. Provision was made for forfeiture in case of failure to comply with certain stipulations, and an arbitration clause was included.

This contract was ratified immediately by Nicaragua. The Maritime Canal Company, formed in the United States to carry out the contract, was headed by Horace L. Hotchkiss. It made the monetary payments to Nicaragua in accordance with the terms of the contract.²⁰ On December 9, 1887, the survey party under R. E. Peary, consisting of forty persons and including engineers, assistants, artists, photographers, etc., arrived at San Juan del Norte.²¹

The contract was called to the attention of the other Central American republics by the Nicaraguan foreign office. Honduras replied with "enthusiastic good wishes." The Guatemalan foreign office said, "The government and people of Guatemala are highly pleased with the news of this important event." Gregorio Meléndez of El Salvador added that his country "could not do less than rejoice at the ratification of this contract." Only Cleto González Víquez of Costa Rica, for political motives perhaps, was inclined to be somewhat reserved toward the project, stating that "the subject would be treated favorably in relation to the rights of Costa Rica," but that Costa Rica "had learned with pleasure of the approval of the contract."²²

In view of the attitude of Costa Rica toward the canal project,

²⁰ The last payment of \$80,000 was made June 18, 1887, to Núñez and Espirella, and A. P. Strout, in accordance with instructions of Joaquín Elizondo, minister of finance, to H. L. Hotchkiss (*Gaceta oficial*, Año XXV, No. 33), p. 385.

²¹ *Gaceta oficial*, Año XXV, No. 62 (1887), pp. 613.

²² *Ibid.*, No. 21, pp. 177-178.

the Menocal Company entered into a contract with this republic similar to that already signed with Nicaragua.²³ This new contract created difficulties for the company and nearly brought about a rupture of diplomatic relations between Nicaragua and Costa Rica over the interpretation to be given to the Jerez-Cañas boundary treaty of 1858. The questions arising over the interpretation of this treaty were finally submitted to arbitration in 1888. President Grover Cleveland, the arbiter, made a decision which was considered decidedly favorable to Nicaragua with reference to the boundary line and the general rights of Nicaragua over the canal route. The decision further stated that, on account of the natural rights of Costa Rica which might be injured by the construction, the opinion or advice of that country should be sought, but that the treaty "does not give to Costa Rica the right to be a party to grants which Nicaragua may make for interoceanic canals."²⁴

The Maritime Canal Company was incorporated under the laws of the United States by an act of February 20, 1889, in which it was specifically stated that the American government would assume no pecuniary liability.²⁵ Repeated efforts were

²³ *Ibid.*, Año XXVI (1888), pp. 554-555, 563-567; Menocal-Pérez Zeledón contract, July 31, 1888, in *Report of the Isthmian Canal Commission*, 1899-1901, pp. 431-442.

²⁴ The pertinent Article 8 of the Jerez-Cañas treaty is as follows: "Si los contratos de canalización o de tránsito celebrados antes de tener el Gobierno de Nicaragua conocimiento de este convenio llegasen a quedar insubsistentes por cualquiera causa, Nicaragua se compromete a no concluir sin oír antes la opinión del Gobierno de Costa Rica acerca de los inconvenientes que el negocio pueda tener para los dos países; con tal que esta opinión se emita dentro de treinta días después de recibida la consulta, caso que el de Nicaragua manifieste ser urgente la resolución; y no dañándose en el negocio los derechos naturales de Costa Rica, este voto será consultivo" (República de Costa Rica, *Colección de tratados* [San José, 1907], p. 161). The clauses of the Cleveland award relating to this point are: "10. The Republic of Nicaragua remains bound not to make any grants for canal purposes across her territory without first asking the opinion of the Republic of Costa Rica, as provided in Article VIII of the Treaty of Limits of the 15th of April 1858. . . . 11. The Treaty of Limits of the 15th day of April 1858, does not give to the Republic of Costa Rica the right to be a party to grants which Nicaragua may make for interoceanic canals; though in cases where the construction of the canal will involve an injury to the natural rights of Costa Rica, her opinion or advice, as mentioned in Article VIII of the treaty, should be more than 'advisory' or 'consultative.' It would seem in such cases that her consent is necessary, and that she may thereupon demand compensation for the concessions she is asked to make; but she is not entitled as a right to share in the profits that the Republic of Nicaragua may reserve for herself as a compensation for such favors and privileges as she, in her turn, may concede" (*Foreign Relations*, 1888 [Washington, 1889], pp. 458-459). For text of the Nicaraguan case, see *Gaceta oficial*, Año XXVI (1888), pp. 99-102.

²⁵ For text of the act of incorporation, see *Report of the Isthmian Canal Commission*, 1899-1901, pp. 401-402.

made to secure more substantial aid from the Congress of the United States, but, though the Senate took favorable action, the House could not be moved to do anything, much to the regret of Nicaragua.²⁶

The surveys, however, were completed, and construction work was begun. Optimism pervaded the air. Engineer Menocal made long reports detailing the progress of the canal work.²⁷ But the company encountered financial difficulties, and work began to drag. Nicaragua could give no financial aid, Costa Rica did not even offer suggestions, and the United States could not be prevailed upon to come to the rescue of the project. Work was suspended in 1893. Finally, President Zelaya became impatient and on technical grounds sought to annul the contract. On this occasion the State Department intervened to aid the company, making an interpretation entirely favorable to it.²⁸ Despite the attitude of the United States, Nicaragua proceeded in 1898 to make another contract with Americans to undertake construction of the canal at such time as the Menocal contract should be declared cancelled.²⁹ However, after the complete collapse of the Menocal company, the new company failed to take any advantage of its contract, either by making the specified payments or by undertaking any work on the canal project.

After the government of the United States had decided to construct the Panama canal,³⁰ the Nicaraguan route passed into eclipse. Huge dredging machinery, left abandoned in San Juan, rusted to a specter; San Juan del Norte, which had been in a heyday of prosperity for a decade, dwindled to a deserted village; and only a few faithful were left along the ever-famous Nicara-

²⁶ *Ibid.*, p. 41.

²⁷ A. G. Menocal, "El canal de Nicaragua, su trazo, localización final y trabajos hechos hasta el día," in *Gaceta oficial* Año XXVII (1890), p. 932 and *passim*; also Menocal, "Informe sobre los trabajos y gastos de la compañía constructora del canal interoceánico hasta el 7 de Octubre de 1890, in *ibid.*, pp. 1101-1104.

²⁸ See telegram of Secretary Sherman to Minister Baker and the latter's memorandum for President Zelaya, in *Foreign Relations*, 1897 (Washington, 1898), pp. 417-419.

²⁹ This was a contract with E. Eyre and Edward F. Cragin, signed October 27, 1898, which was presumed to go into effect October 9, 1899. It provided for longer locks than the Menocal contract, fines for delays in construction and opening of the canal, payment of \$500,000 to Nicaragua, 8 per cent of the stock (not less than \$8,000,000) for Nicaragua, six specific reasons for forfeiture and new provisions for the distribution of the net earnings. Otherwise, the contract was the same as the Menocal contract. For text, see *Report of the Isthmian Canal Commission*, 1899-1901, p. 403-412.

³⁰ Cf. Philippe Bunau-Varilla, *Panama; the Creation, Destruction, and Resurrection* (New York, 1914); Bishop, *The Panama Gateway* (New York, 1915); Gerstle Mack, *The Land Divided* (New York, 1944).

guan canal route to dream of better days which would bring achievement and prosperity.³¹

With the adoption of the Panama route by the United States for the definitive interoceanic canal, President Zelaya turned his attention to the construction of an Atlantic railway in order to afford transisthmian communication across Nicaragua. The country had been successful in building with current resources the Pacific railway, and it was believed that the same plan could be applied to a connection by rail between some point on Lake Nicaragua and another on the Atlantic coast. A number of surveys and contracts were made with reference to various routes. The route finally selected was that from San Miguelito on Lake Nicaragua to Monkey Point on the Caribbean littoral, for which Julio Wiest and Emilio Mueller had made a survey. Work was begun, and in a refunding loan of 1909 provision was made for financing the conclusion of the project.³² The revolution of 1909, however, brought construction work to a stop; the funds which had been secured for the purpose were dissipated in connection with the revolution and its aftermath, and the materials assembled at Monkey Point were either disposed of for a pittance³³ or allowed to rust away in the tropical jungles. Another long cherished dream of Nicaragua had failed of realization; and, although during the next two decades the railway project was ever a vital topic,³⁴ today it seems farther from realization than it did before the downfall of Zelaya.

Soon after the accession of the conservative régime in 1910 and in connection with the financial rehabilitation of the country, the question of renewing negotiations in reference to a Nicaraguan canal was raised. The interest on the part of Nicaragua was in the financial aid to accrue from the negotiation, and on the part of the United States to strengthen its diplomatic and strategic

³¹ Cf. Borgen, *Una incursión por la costa atlántica* (Managua, 1925), for an account of a visit of the writer of this paper and others to the canal route in 1923.

³² For statement regarding this loan see Roscoe R. Hill, *Fiscal Intervention in Nicaragua* (New York, 1933), pp. 16-19.

³³ Cf. "Con usted, señor general Chamorro," *El diario moderno*, February 23, 1923; and "Rieles vendidos clandestinamente," *La tribuna*, February 28, 1923.

³⁴ Provisions for the construction of an Atlantic railway were included in the Treasury bills agreements of 1912 and 1917, as well as in the contracts of 1920. In connection with the last, a new location-survey was made of the route by the J. G. White Engineering Corporation at a cost of about \$160,000. This showed it would cost from \$6,000,000 to \$8,000,000 to construct a railway and that it would probably entail a permanent deficit to the government. See *Contracts of 1917*, *Contracts of 1920*, and *Report on the Proposed Atlantic Railway of Nicaragua*. Cf. Hill, *op. cit.*

position with reference to the Panama canal which was now well toward completion. Negotiations, first undertaken in Managua in 1912, resulted in the signing of the Chamorro-Weitzel treaty.³⁵

This treaty, signed at Managua on February 8, 1913, is briefer than many of its predecessors, since it was primarily an option for the future construction of a canal rather than a provision for immediate construction. It consisted of a preamble and five articles. The preamble, in addition to the usual reference to the principal items of the body of the treaty, contained references to the then existing situation in Nicaragua and the interest of the United States in the economic development and prosperity of Nicaragua under a well ordered government. Article 1 granted to the United States the right in perpetuity to construct, operate, and maintain a canal by way of the San Juan River and Lake Nicaragua or by any other route through Nicaraguan territory whenever the United States should notify Nicaragua of its desire to construct such canal. For the purpose of protecting the Panama Canal and the rights accorded in this treaty, Article 2 provided for the lease of Great Corn Island and Little Corn Island and the establishment of a naval base in Nicaragua on the Gulf of Fonseca. The leases and grant were for ninety-nine years, with the privilege of renewal. Article 3 granted in perpetuity to the United States the right to carry on coastwise shipping in Nicaraguan waters. A payment of \$3,000,000 by the United States to Nicaragua to be used in public works and for the prosperity of the country under the supervision of both countries was provided in Article 4. Article 5 related to the ratification of the convention.

During the process of negotiations in 1911, President Adolfo Díaz (1911-1916) proposed the insertion of a clause in the treaty similar to the Platt amendment. In a letter to Chargé d'Affaires Gunther, President Díaz pointed out the unsettled internal situation of Nicaragua which was the result of the years of bitter party strife and the obstacles arising in its foreign relations where the inevitable contact of our policy with that of other Central American States produces uneasiness in the country, because of the uncertainty it inspires in the men of the Government and because of the encouragement it gives to those who expect assistance from some other Central American Government that is interested in creating difficulties for us in our relations with United States.

³⁵ Ramón Rojas Corrales, *El tratado Chamorro-Weitzel ante Centro América y ante el derecho internacional* (San José, 1914), contains the text of the treaty in Spanish.

He then added:

On these two problems I have seriously meditated and disconsolately conclude that lasting and stable peace, order, economy, moderation and liberty cannot come through our own means; and that the grave evils affecting us can be destroyed only by means of more direct and efficient assistance from the United States, like that which resulted so well in Cuba.³⁶

The United States was decidedly not interested, at least not to the point of public admission, in such a commitment and such a direct and definite responsibility in connection with the internal affairs of Nicaragua, and evaded the proposal by stating that "The suggestions made by President Diaz involve, however, matters of such great importance that the Department will not be able to make any expression whatever in relation to them until after deep and careful consideration."³⁷

The treaty was submitted to the Senate by President Taft and its ratification urged. However, there was much opposition, and an active protest against it was made by some of the other Central American states. Certain features were severely criticized, and all this caused delay in the ratification. Upon the advent of the new administration this project for adjusting the Nicaraguan canal was abandoned. With the failure of the Chamorro-Weitzel treaty the stage was set for the negotiation of the Bryan-Chamorro treaty which, for three decades, has been a central factor in the relations of the United States with Nicaragua and the other Central American states.

³⁶ *Foreign Relations*, 1911, p. 670.

³⁷ Secretary Knox to Gunther, December 13, 1911, in *Foreign Relations*, 1911, pp. 670-671; Cox, *Nicaragua and the United States*, pp. 823-825.