

VII B-4/D

Foreign Relations of the United States 1948

Volume III
Western Europe



United States
Government Printing Office
Washington : 1974

For sale by the Superintendent of Documents, U.S. Government Printing Office
Washington, D.C. 20402 - Price \$12.90

711.53/5-1048

→ Memorandum by the Director of the Office of European Affairs
(Hickerson) to the Secretary of State

SECRET

[WASHINGTON,] May 10, 1948.

Subject: Summary of U.S. Relations with Portugal.

On February 2, 1948 a highly satisfactory agreement was signed with the Portuguese Government granting US military aircraft transit privileges at the Lagens Airport in the Azores for the next five years. Although this is acceptable to the military authorities as an interim arrangement, the Joint Chiefs of Staff are still interested in ultimately obtaining long term base rights in the Azores.

The present objective of US policy is to maintain and improve the existing cordial relations with Portugal and to encourage Portuguese cooperation in the economic and political rehabilitation of Western Europe. Portugal's financial condition is sound; its budget has been balanced for the past 15 years and the escudo is one of the firmest currencies in Europe.

Portugal is participating in the ERP but is receiving no financial assistance. Portugal has offered to make loans to other countries to assist in the purchase of Portuguese goods, mainly fish, fish products, naval stores, citrus fruits and cork. In view of the relative soundness and stability of the Portuguese economy, the aim of the ERP in Portugal will be primarily that of maintaining rather than rehabilitating the economy.

Although Portugal has not been admitted as a member of the UN, it has taken an active part in a number of the affiliated organizations, in particular the ICAO. The US has taken a leading role in sponsoring Portuguese membership in the UN but there is at present little hope of success in the face of Soviet opposition.

800.515/7-1448 : Telegram

The Secretary of State to the Embassy in Portugal

SECRET

WASHINGTON, August 6, 1948—6 p. m.

388. Urtel 413, July 14.¹ The Dept has for considerable period of time given thought to question of blocked Port assets in US and has

¹ Not printed.

VII B-4/3

discussed matter with Portuguese Ambassador here, with Treas, and with Alien Property Custodian. Emb will recall that Dept took strenuous steps to give Port assurances with respect to Snyder Plan that transactions now permitted would not be prohibited shld Port assets still be blocked at time of changeover of jurisdiction. Moreover, Emb shld realize that US has direct interest in Ger assets Portugal, which interest unrealizable as matter stands at present without settlement gold question; and that US as co-issuer of gold declaration has direct moral interest in restitution of looted gold as well as direct interest in gold position of looted countries in as much as most of them are ERP recipients.

Dept desires unblocking Port assets in US as strongly as does Emb, but considers that our relations with countries other than Port must be given consideration in the timing of such unblocking. It is the desire of the Dept to avoid any suggestion that Portugal's intransigence in regard to looted gold has earned her the premium of unblocking. Since some such implication must inevitably adhere to the act of unblocking, it is the hope of the Dept that proper timing can mitigate the strength of the inference.

It is felt that a relatively appropriate moment would be the signing of the bilateral ECA agreement. If signing cannot be expected before Sept 1 Dept prepared announce deblocking forthwith. Necessary arrangements being made with Treasury.

Foregoing is of course for Emb info only.

Dept views follow separate cable re your Despatch 265, July 16² and re Brit Fonoff's suggestion attempt dissociate External Assets Accord from gold settlement.

MARSHALL

² Not printed.

840.51 FC 53/8-1148

Memorandum by the Deputy Director of the Office of European Affairs (Reber) to the Under Secretary of State (Lovett)

CONFIDENTIAL

[WASHINGTON.] August 11, 1948.

BACKGROUND

The continued blocking of Portuguese funds in the US constitutes an irritant, serious in Portuguese eyes, which colors their thinking on more important matters, including particularly conclusion of long-range agreement for US airbases in the Azores. The question of unblocking them has been discussed on numerous occasions by the various interested officers in this Department, and recently with officers

in the Treasury Department. Department, except for L/E v should not be unblocked until has been brought about between acting under the Paris Reparations made a formal condition, it has not to unblock assets in this war prior to the conclusion assets and looted gold.

Accord has been reached on the question of which awaits settlement. It does not appear that a satisfactory settlement can be effected in the foreseeable future. The claimant countries of the world are in agreement with Portugal.

Ambassador MacVeagh has requested that Portuguese assets be removed from Lisbon over what is being said as criticism of the Portuguese blockade removed as creating a definitely unfavorable to US. The unfavorable atmosphere toward that increase of friction toward extension of the Azores Agreement which would be vital to our interests. It is felt that neither the British nor the looted gold question has made

R

It is recommended that I bring about that unblocking

The Under Secretary of State

MY DEAR MR. SECRETARY: The country are still blocked. The

¹ For the text of the Paris Reparations and Other International Agreements, 1945, vol. III, pp. 1455-1505.

² The letter, as finally approved