

and the President, and to do whatever else might appear to help prospects of affecting the decision of the people concerned regarding a *modus vivendi*. Any spare time could be used to discuss the prospective trade agreement. The Ecuadorean officials expressed their willingness to spend some time during the coming week in discussing a possible future commercial agreement expanding the *modus vivendi*.

In the meantime we have more or less agreed with the Ecuadorean officials on a new draft *modus vivendi*, translation of which is enclosed in triplicate.† As above indicated, you will appreciate that this is not regarded by the Ecuadoreans as more than a draft which may or may not be accepted by the Ministers concerned, nor are they themselves enthusiastic about it. From our own point of view we think that, as compared with their earlier efforts, the new draft is comparatively innocuous. There is only one point remaining in it that has given us a little concern, and that is, the omission of any provision under which we would enjoy *m.f.n.* treatment with regard to internal taxation of articles already imported, as contrasted with *m.f.n.* treatment in connection with customs duties imposed at the time of importation. This was however a point upon which they declared that they were unable to meet our wishes, although it might be considered in a trade agreement. We do not however believe that it is their intention to impose any discriminatory internal taxes upon our products and if they do, the new draft still provides that we would be entitled to make representations on the subject, and if these representations do not result in a satisfactory solution we should then be entitled to denounce the *Modus Vivendi* on short notice.

As an indication of the vacillating attitudes we have encountered, the following incident may be mentioned. At the luncheon party which we gave for the members of the Ecuadorean negotiating group on Tuesday, October 31, Dr. Veintemilla,¹¹ the leader, expressed the view that although there was still much to discuss between us, he felt confident that a mutually satisfactory arrangement could be arrived at. At the meeting held the following day, November 1, however, at which the Minister of Economic Affairs presided, the temperature appeared to have changed completely. The subjects brought up for discussion were only those on which we thought that agreement had already been reached, and there was no longer any indication that finalization of an agreement was practically a foregone conclusion.

Our position in trying to obtain signature of the proposed *Modus Vivendi* here would have been greatly strengthened if we had been in a position to assure the Ecuadoreans that they would receive a concession on bananas, or that they could count on a supply of newsprint from Canada. Naturally we were not able to give them any assurances on either of these matters, but if you could tell us anything useful from Torquay about bananas which we could pass on to them we should appreciate your advice by cable.¹² The subject of bananas will likely come up again in Costa Rica and Honduras. The fact is that, in Ecuador, the negotiators made

¹¹ Herman Veintemilla, ministre des Affaires étrangères de l'Équateur.
Dr. Herman Veintemilla, Minister of Foreign Affairs, Ecuador.

¹² Note marginale:/Marginal note:

T[rade] and C[ommerce] have discussed this with [John] Deutsch and they decided not to send anything. [Author unidentified].